

# Nation's Business

A USEFUL LOOK AHEAD

NOVEMBER 1963

Nation's Business symposium:

## EXPERTS SEE THREE BRIGHT YEARS AHEAD

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World Business: More expansion likely PAGE 106

Glamour masks waste in space spending PAGE 38

**Election year forecast:** Four-part special PAGE 31

How to spot comers PAGE 82







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# Nation's Business

November 1963 Vol. 51 No. 11

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Washington, D.C.

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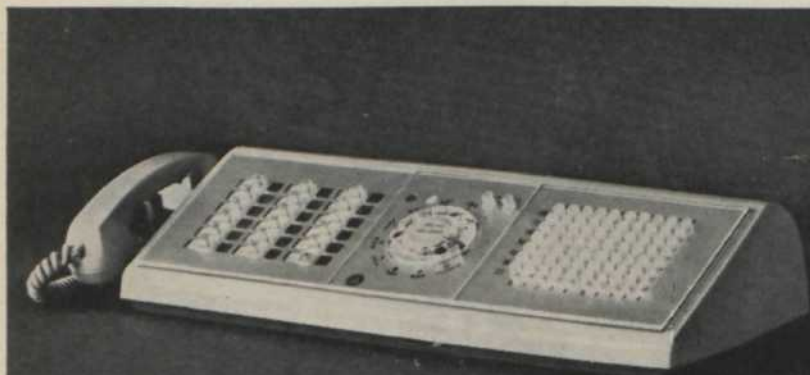
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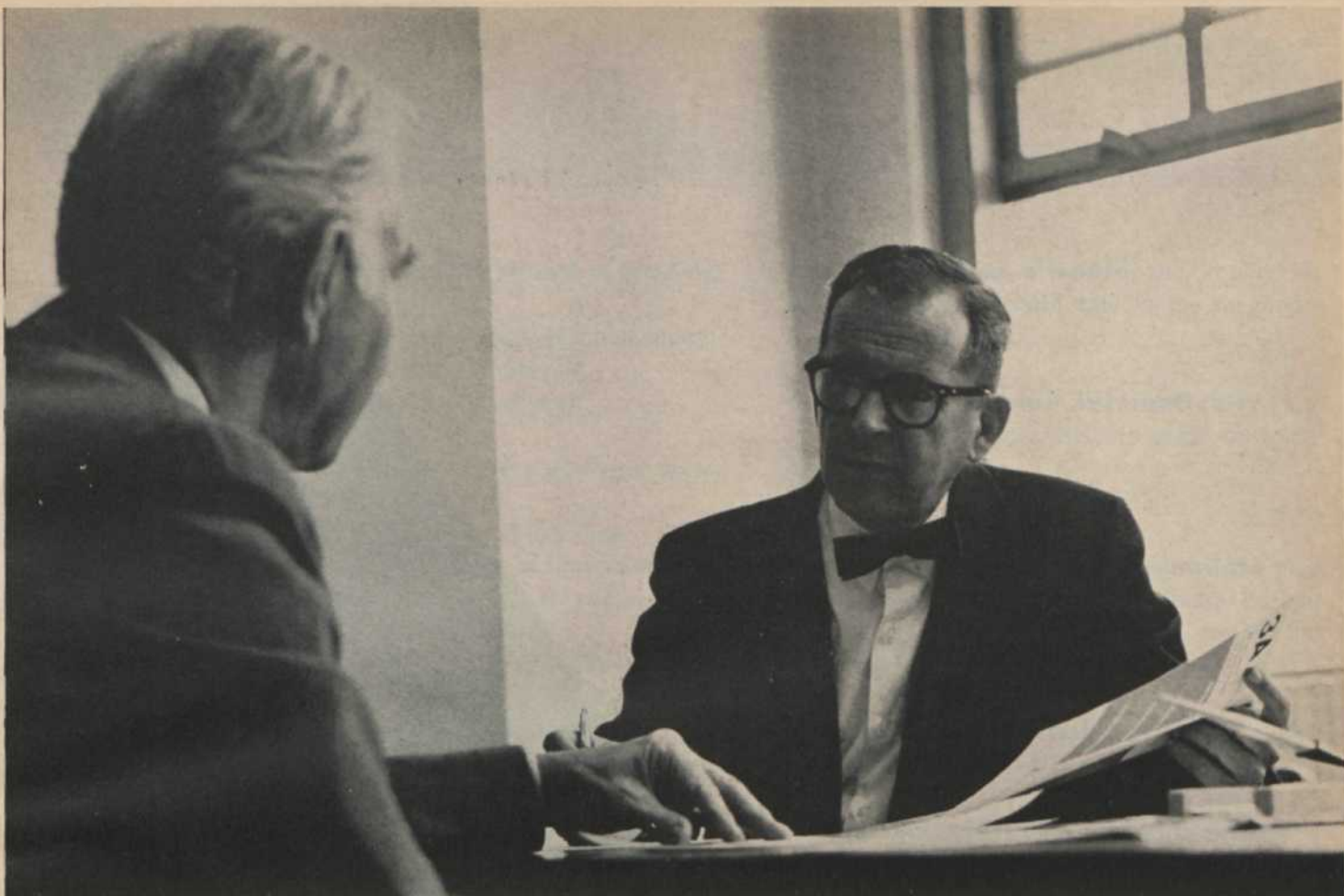
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# WASHINGTON BUSINESS OUTLOOK

**New optimism marks mood** in Washington.

Reason: Prospects for good business conditions in coming year are improving.

Tax cut will assure a good year.

**There's a chance** Congress won't cut taxes. But odds favor reduction.

Viewed from Capitol Hill at this time:

Tax cuts will be approved in time to have effect on first payroll period in new year.

**Struggle continues** in Senate Finance Committee, headed by Harry F. Byrd of Virginia, who wants government spending cut.

Consideration of House-approved tax program is expected to run on for weeks more before final vote.

**Prediction:** Watch for Senate, after vigorous discussion and many attempts to amend the tax proposal, to approve slightly less reduction than was voted by House of Representatives.

**Next three years look good** to experts who advise leading business executives.

There's reason to anticipate as much as \$100 billion rise in total output of goods and services.

This much increase in years past has taken five years or more, never less than four.

It's thought possible now in three because of new factors that add up to opportunity for more prosperity than you've seen till now.

**Here's the shape of things to come:**

If all goes well, total output of goods and services will reach \$600 billion annual rate this winter or early next spring.

From there it'll continue to rise—somewhat unevenly, of course—to \$700 billion annual rate approximately three years later.

All bets off if taxes aren't cut.

**For business as a whole**, this implies an average national growth rate in the neighborhood of five per cent.

**Growth won't come automatically.**

There's reason to anticipate some business dips in future years.

But they're expected to be mild.

**Five leading company economists** plus the director of research for the National Bureau of Economic Research analyze and explore the major trends of the future on page 40.

**Politicians are watching** closely for slightest change in nation's business pulse.

Here's why:

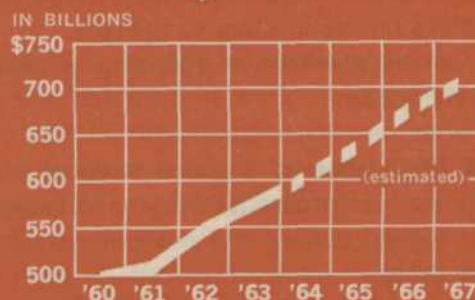
New Frontier took office just as business was turning up, ending mild recession.

Since Administration took office there has been continuous—though sometimes sluggish—economic progress. Total output of goods and services has risen without major setback.

If business dip can be avoided in '64, it would mean that economic backslide has been sidestepped throughout one full presidential term.

As a result, economists close to the top of

## How trends shape up for years ahead



Total output of goods and services



this Administration are watching for any signs of change that could bear on '64 elections.

**Pace of increase in government** spending may be checked—temporarily.

Substantial increases have come in recent years.

Now, for the moment, new month-to-month increases appear to have been slowed down somewhat.

Background:

Administration wants to keep fiscal '64 spending under \$100 billion if possible.

But the rate of spending already has risen to a level near that total.

Therefore, the rate must be held at approximately the same level as now if the \$100 billion goal isn't to be exceeded.

Future:

Many Administration advisers regard government spending as an important force for the stimulation of national economic growth.

Therefore, in view of basic economic indications for the next several months, it's unlikely that any major effort will be made to scale spending down from the present monthly rate.

Instead, it's more probable that the trend in expenditures will be held flat for a few months at least.

So thrift—such as it is—is a current byword of government budget men.

But not thrift at expense of the kind of economic growth that might leave large numbers jobless during election campaigns.

Hence, government spending is being held in readiness.

**At first sign** of slightest national economic dip, you can expect Washington to begin pumping federal dollars into economic stream without delay.

This means spending would go above the \$100 billion mark.

**Improvement in jobless rate** is prospect for year ahead.

Analysis shows four per cent growth rate in total economic output is roughly enough to keep unemployment on an even keel.

This means there'd be more Americans at work, but projection assumes substantial rise in number of new people joining work force for the first time so that the jobless rate would not change much.

Five per cent expansion in total output of goods and services would be enough growth to reduce the unemployment rate.

This appears likely.

Specialists look for total employment to reach new highs next year, unemployment rate to shrink, hover in the neighborhood of five per cent of work force.

Rate has ranged around six per cent for several years.

**Investment is headed** for a good rise in year ahead.

From this year's spending of \$39.1 billion—highest ever—business outlay for new plant and equipment is expected to rise above \$42 billion next year.

It could be more. If businessmen see more





# WASHINGTON BUSINESS OUTLOOK

buoyant business conditions shaping up next spring and summer, improving prospects for volume and profit, upward revision of plans by about \$1 billion is probable.

Higher expenditures are expected for most kinds of manufacturing, railroads and other transportation, public utilities, commercial enterprises of most kinds.

**There's a new and growing concern** among government economists that business investment isn't rising faster.

Should be billions higher, they believe.

They fear future implications.

Investment means jobs. Jobs mean income. Income means buying power.

And enough buying power spells prosperity.

Without investment, prosperity lags—as it has since about 1957.

New government survey will show why businessmen invest, why they don't invest more.

**Are you thinking of expanding?** Want some expert advice?

Try asking for a bank loan to finance your new program.

Banks are in business of financing enterprises with profit potential, usually have pretty sharp eye for earnings prospects in your community.

Banks' experts often see opportunities—and problems—your planners might miss.

**Economic change in years ahead** will bring some pain.

Example: Major producing firm in years past has brought out an average of one new or improved product per month.

Most were accepted and earned profit.

Now this firm plans to bring out an average of two new products or major improvements per month, stepping it up to three as quickly as possible.

Management anticipates a large increase in number of product failures—meaning that cost of keeping pace in business growth will be painfully high.

Other side of the coin: Larger number of new products will be accepted, thus lifting future profitability.

**Price trends tell you something** about the future.

Remember: They closely follow demand.

You're seeing more frequent indications today of rising prices—not much rise all at once, few across the board, but spotty, selected increases.

Economists are guessing there's more price movement than shows up in price indexes this soon.

They call prices firm, economic term that means there's more tendency for them to go up than down.

This reflects upward movement of basic demand.

**Future hangs heavily** on factor that can't be measured reliably.

It's mass attitude.

This is especially important in forecasting trends for '64 and beyond.

Surveys test how people feel about their future spending plans, but plans sometimes get changed abruptly.

Trend watchers don't really know why this happens.

Economists do know that reactions will vary and that the fast pace of world developments today provides maximum opportunity for something to happen that could have spectacular implications for future consumer spending trends.

This is one of the noneconomic factors in today's economics.

Its importance is growing.



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## Business opinion:

# How government investigators work

"COMING: New Look at Business Regulation" [September] bears out the exact situation with which we are involved with the U. S. Department of Labor.

In February we were investigated by the Hartford, Conn., office of the Labor Department.

We heard nothing until one evening, when I was at home with my family, a U. S. marshal rang our doorbell and presented me with a civil action complaint.

The claim is that we are in interstate commerce and must pay time and a half to any employee working more than 40 hours a week.

We were told that we could settle for 50 per cent of the \$2,933 it is claimed we owe.

In order to protect my rights as a citizen of the United States I feel I must pursue this in the courts. We are also writing Sens. Everett M. Dirksen and Edward V. Long [authors of bills to curb federal agencies' powers].

R. E. DOWNING  
Acme Window & House Cleaning Co.  
Bristol, Conn.

## Guide not yet ready

"New Guides Help You Plan" [August] reported the release by the Office of Business Economics of "a record of purchases and sales by more than 70 major industries." As a consequence, we are receiving a number of requests for this information.

The announcement was considerably premature since the Interindustry Sales and Purchases estimates have not yet been completed. An announcement will be made by the Office of Business Economics when the estimates are ready for publication.

MORRIS R. GOLDMAN  
U. S. Department of Commerce  
Washington, D. C.

## Service business important

We have subscribed to and enjoyed your publication for several years. Some of the articles have

helped us a great deal, especially in the area of personnel management.

However, it is seldom that we notice any analysis directed specifically toward the "service" as opposed to "product" business.

Our understanding is that, though usually small as individual enterprises, this type of business accounts for a fair portion of the national sales dollar.

DAVID L. MARK  
Ann Arbor, Mich.

## Competition excites

"Tomorrow's Competition" [August] is the most exciting reading we have seen in some time.

ALAN E. BROCKBANK  
Alan E. Brockbank Organization  
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## Timely, purposeful

"Men and Management" is an internal monthly publication of the Wasatch Division of Thiokol Chemical Corporation. Its objective is to provide a timely, purposeful, and balanced reading program for key management personnel.

We consider "When to Speak Up" [March] outstanding. We believe this article will be of particular interest to our executive leadership. Your approval to reprint it would be appreciated.

R. O. BEIL  
Supervisor, Technical Development  
Thiokol Chemical Corp.  
Brigham City, Utah

## One thousand prospects

May we take this opportunity of congratulating you on the excellent article, "Here's Where You Can Sell Abroad," in your April issue. We are most interested in using this article as a promotion piece in reaching prospective exporters. We have about 1,000 manufacturers in our territory which we would like to reach with such well organized information.

WILLIAM H. CURRAN  
Assistant to the Director  
U. S. Department of Commerce  
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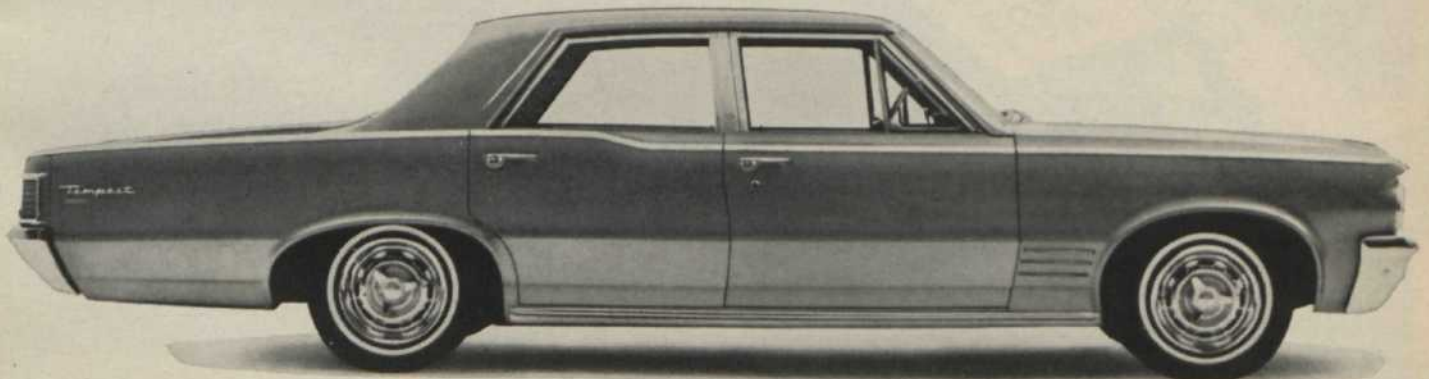




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better handling. There's more head room. The gas tank is bigger meaning fewer highway stops. The brakes are larger. The Wide-Track is wider. The lube interval is 12,000 miles long. And you can see for yourself what we've done to the looks.

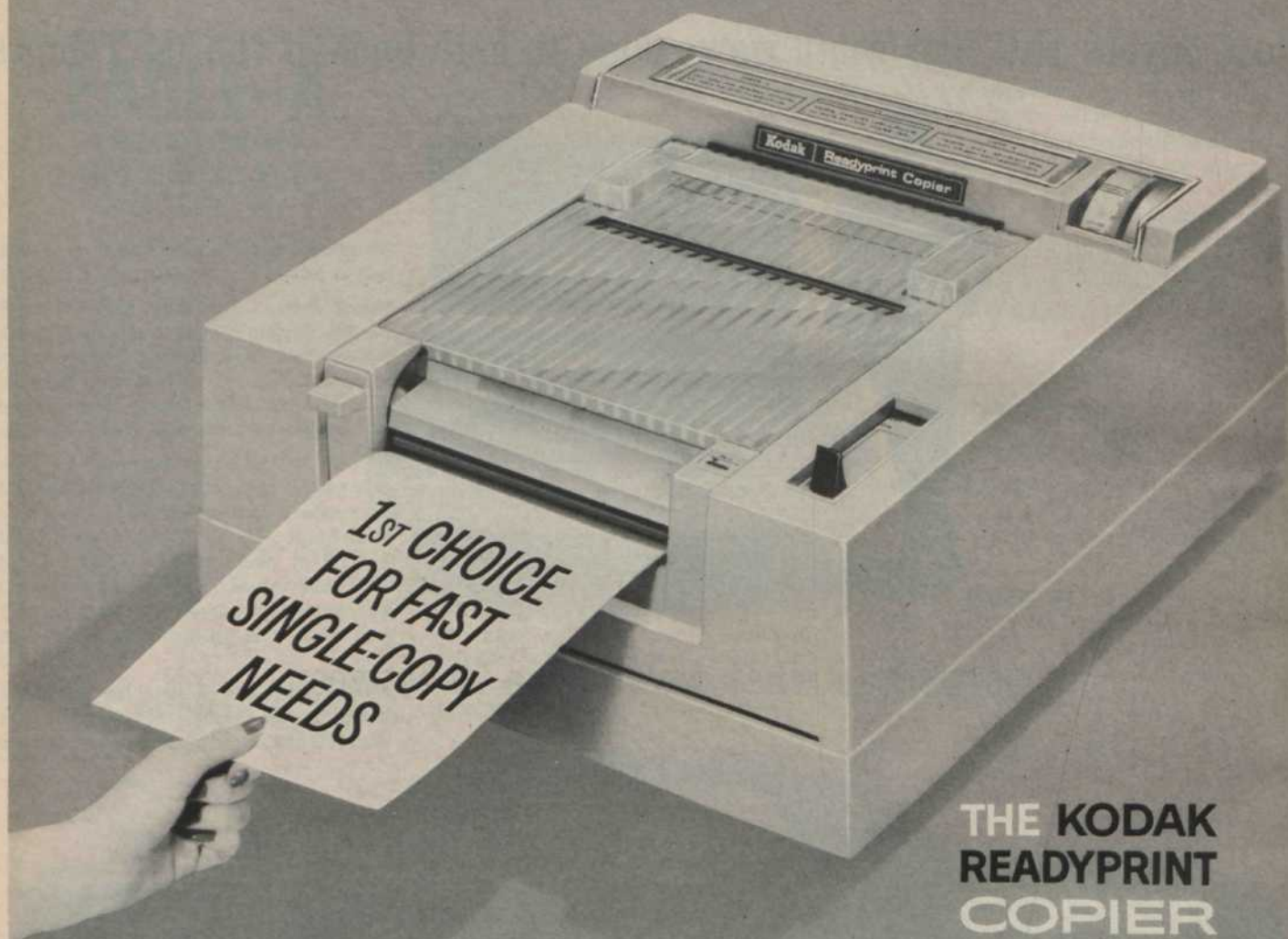
We could keep up this recitation on our improvements to Tempest until you fall asleep, so maybe we'd better stop while we're ahead and just suggest you see your local Pontiac dealer, call the nearest Pontiac Zone Office, or write: Fleet Sales Dept., Pontiac Motor Division, General Motors Corporation, Pontiac 11, Michigan, for a demonstration ride or additional information.

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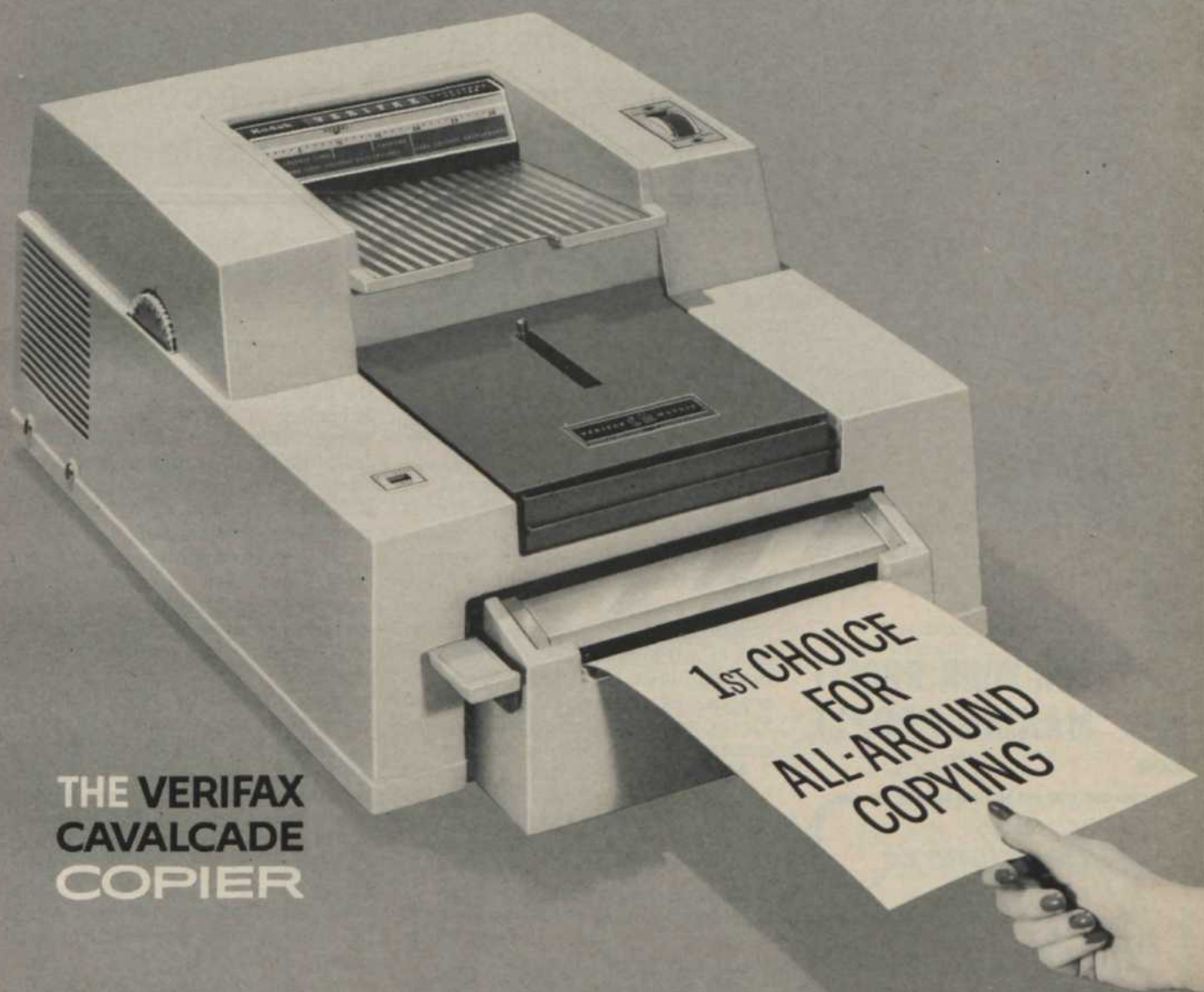
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## Executive Trends

- Jobs face new scrutiny
- Have companies become colleges?
- Coming: Uniform business language

Acceleration of scientific methods of managing will inevitably produce a need for wide-scale reappraisal of the individual's job satisfactions.

This is the conviction of veteran consultant Robert R. Braun, of Geneva, secretary-general of CIOS, the International Committee for Scientific Management.

Mr. Braun was interviewed in New York by a NATION'S BUSINESS editor.

"In the future," he says, "we will have to design the content of a job to insure that a person gets the maximum challenge and satisfaction out of working. This presents new opportunities for behavioral research, especially in the United States, where the techniques of management are so highly advanced."

Mr. Braun feels that automated procedures—even at managerial levels—already are causing some individuals to channel their basic work drive into off-the-job activities. To recapture the creative thrust of this drive in our industrial system, he says, some jobs will have to be taken apart and then put back together with a view toward making them stimulating to the individual.

Item: Mr. Braun predicts that behavioral scientists will rise to posts of importance in companies of the future—precisely because their skills will be needed to cope with the psychological effects of a more technologized society. "It will not be uncommon," he adds, "to find a vice president in charge of behavioral factors on the organization chart of a business."

far more rigorous company review in the future than is generally the case today.

This is suggested by two men with a working knowledge of trends in the field. One consultant, V. Donald Schoeller of Norwalk, Conn., is a former director of management training for Remington-Rand; the other, Dr. Mortimer Feinberg, heads a New York firm of psychological consultants to industry.

Dr. Feinberg points out that some businesses have become "virtual colleges" because of the time, money and effort they earmark for training and developing executives. Yet, he continues, these same companies follow little of the discipline of a college. Trainees are rarely tested before, during, or after a course to determine just what they have learned and how they are putting it into practice on the job.

Similarly, little or nothing has been done by companies to determine how—or if—training changes attitudes. Tests of such factors will be utilized on a large scale in the future, Dr. Feinberg feels.

Mr. Schoeller forecasts another trend: There will be more and more programed learning in industry, with increasingly rapid shifts in the emphasis of training and development programs to match swifter changes in technology and even in the basic kind of business a given company may be in.

• • •

The time is 1975.

The vice president-marketing of a major company sits at his desk in an office high above New York.

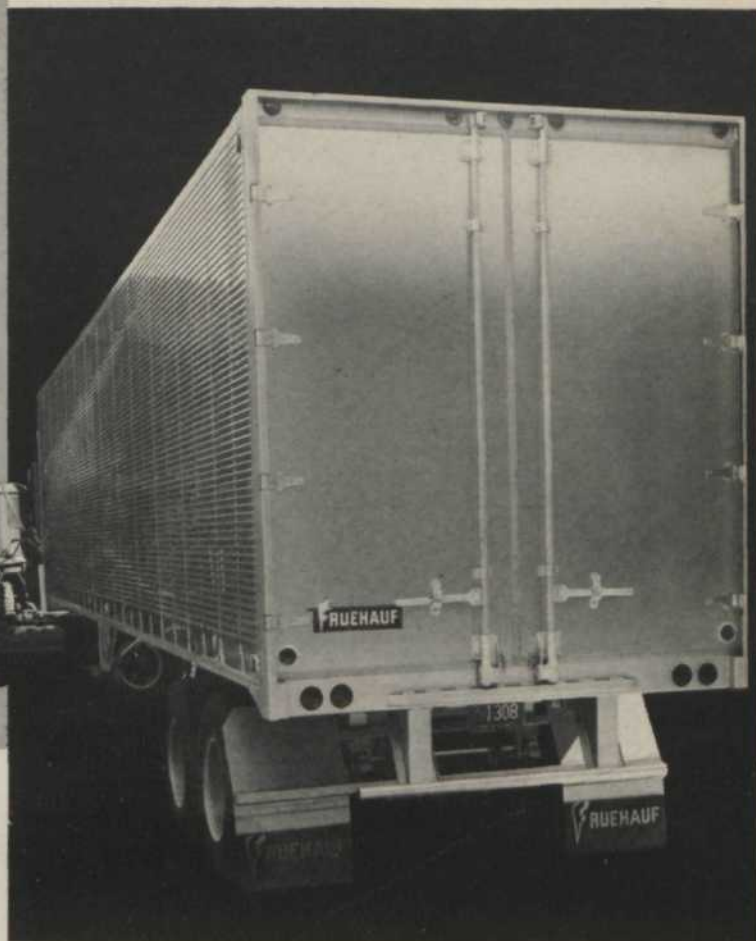
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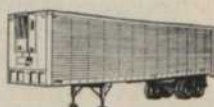


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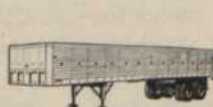
Dry Freight Van



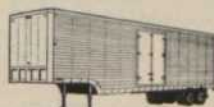
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Grain Trailer



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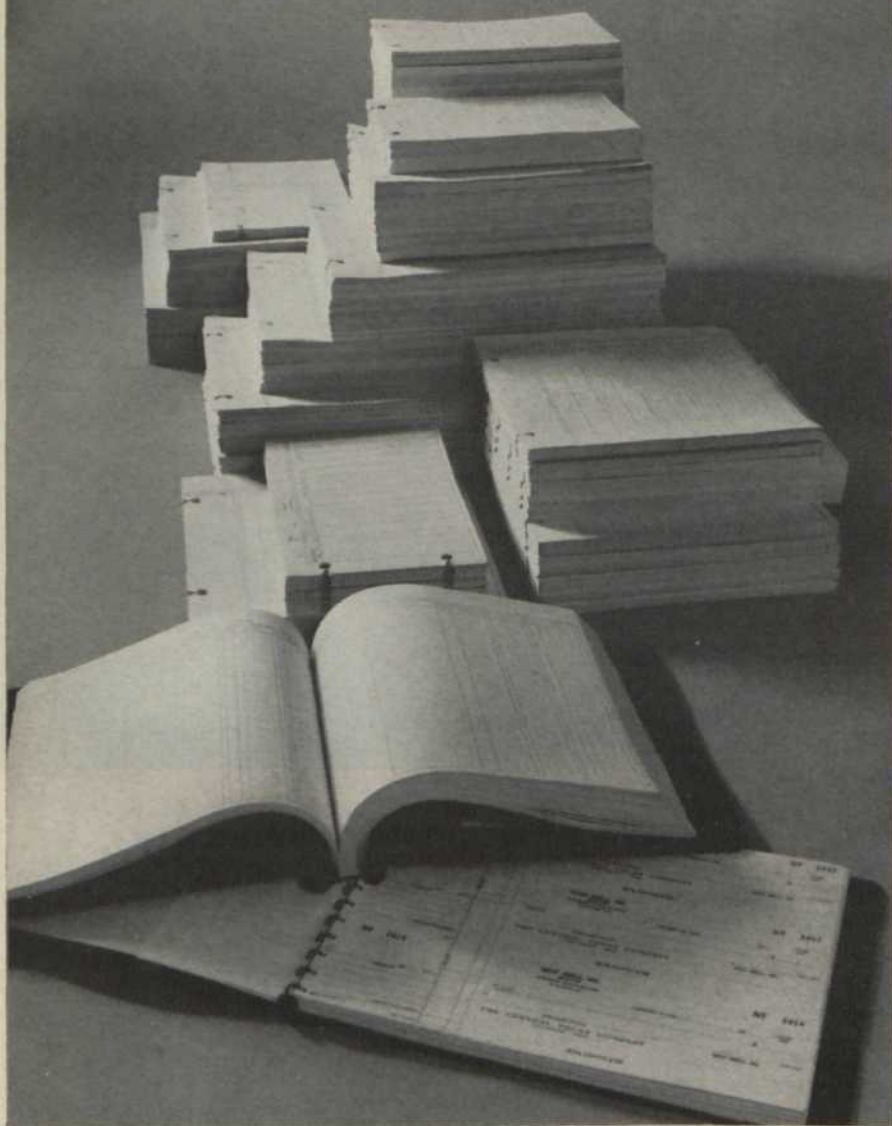


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## EXECUTIVE TRENDS

*continued*

the v.p. confirms that with a glance at his watch. He flips an intercom switch and informs his secretary that he doesn't want to be disturbed for the next five minutes. Then, relaxing, he settles back in his chair, presses a button and begins to watch—on a small TV console built into the wall beside him—a current, tightly condensed report on his company's sales and inventory position in all of its overseas operations.

*Futuristic fantasy?*

Not at all, says Frederic E. Pamp, Jr., president of the American Foundation for Management Research, Inc. Mr. Pamp believes the years ahead will bring to reality just such far-out changes in the technology of managing.

"We already have the capability to do these things," he points out.

Among new aids to managers which Mr. Pamp and his associates foresee are devices for rapidly storing, indexing, retrieving, and disseminating information on all facets of management, and new programed instruction facilities which will make it possible for executives to take a training course right in their offices.

Through new means, Mr. Pamp says, widely scattered facts, case experience, and other information would be made quickly available for use.

• • •

**Business needs** a uniform global language—and soon may get one.

Among projects on which The American Foundation for Management Research is working is one designed to produce a uniform, but continually updated, nomenclature of management terms.

The need for such universal terminology is illustrated by variations in the meaning of a word such as "control." In American business, "to control" means to watch and to regulate an activity—to take action as a result of what you observe. In French business, however, "to control" means simply to "observe" something that is going on.

Other goals of the foundation include the establishment of a core library on management, in which all the diverse, diffused writings on management subjects will be brought together, indexed, and made readily accessible through microfilming, data processing, or other means.

The foundation—an affiliate of the  
(continued on page 21)



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Only three inches...no wider than a credit card! No other attaché case ever looked so trim, so compact, so "executive". Deliberately! Samsonite designed The Commuter to suit the taste of exacting executives. It has clean, sharp lines...exclusive hidden locks. Light, strong magnesium

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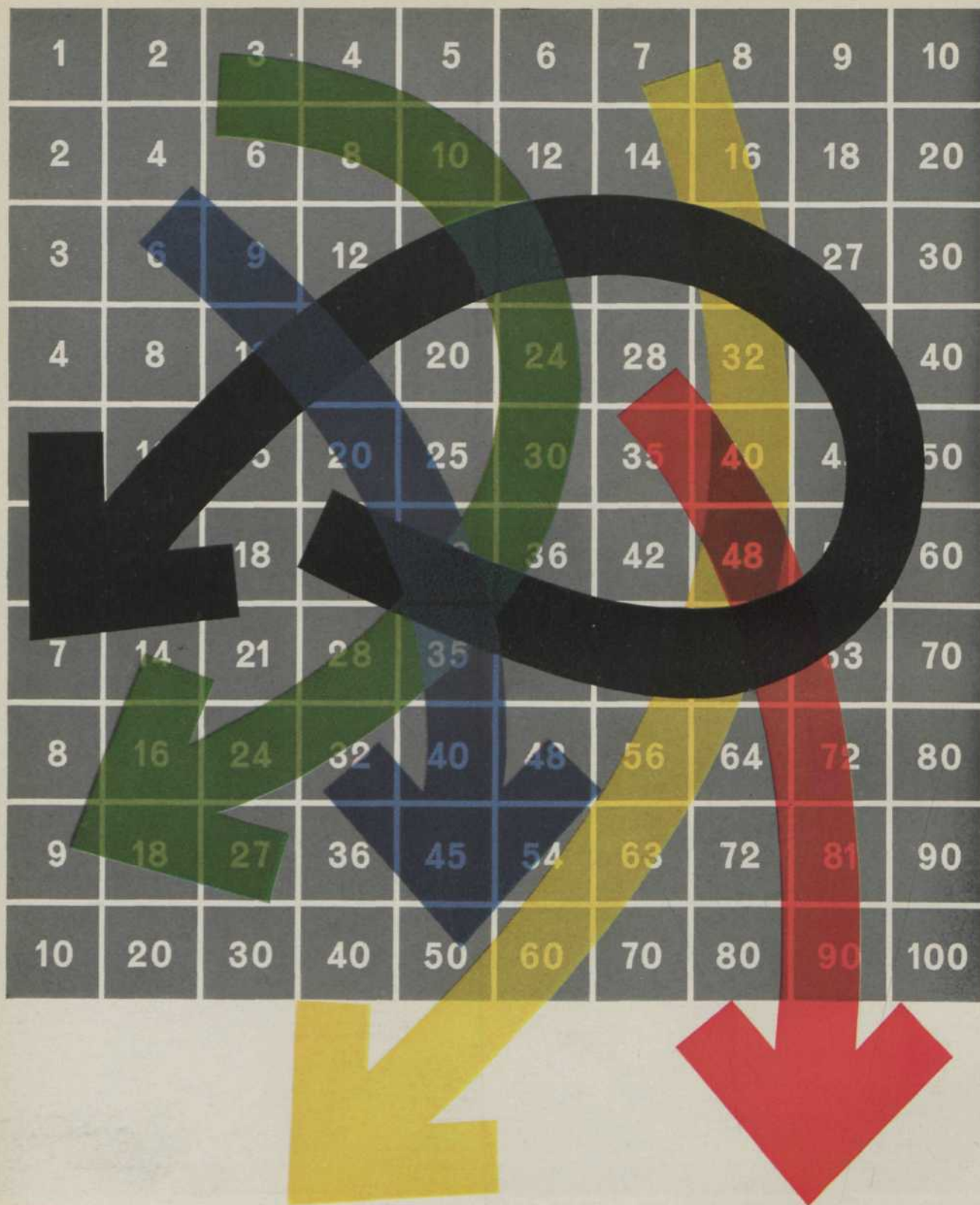
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## EXECUTIVE TRENDS

continued

American Management Association—plans to establish a series of substance centers. These will be places where comprehensive collections of information on management will be gathered on a subject basis. The first center will deal with planning.

• • •

Want a good, crisp definition of corporate planning?

Here's one—supplied by Edward J. Green, vice president in charge of corporate planning for Westinghouse Air Brake Company:

"Planning," Mr. Green says, "is determining where you are, where you want to go, how you want to get there, when you want to arrive, and how much you want to pay for the trip."

• • •

As many as 68 professionals have been called in to help set up a single meeting for a business organization.

This is one of many findings of a four-year study of meeting techniques conducted by a conference planning firm headed by Charles Louis Schafer, Corte Madera, Calif.

The study entailed 600 personal interviews with men in 126 companies and professions and 61 different lines of business.

Only a handful of companies used the services of professionals in planning or conducting their meetings, Mr. Schafer says. Of this handful, a few permanently retain specialists. In some companies an almost emotional resistance to the employment of meeting advisers was apparent.

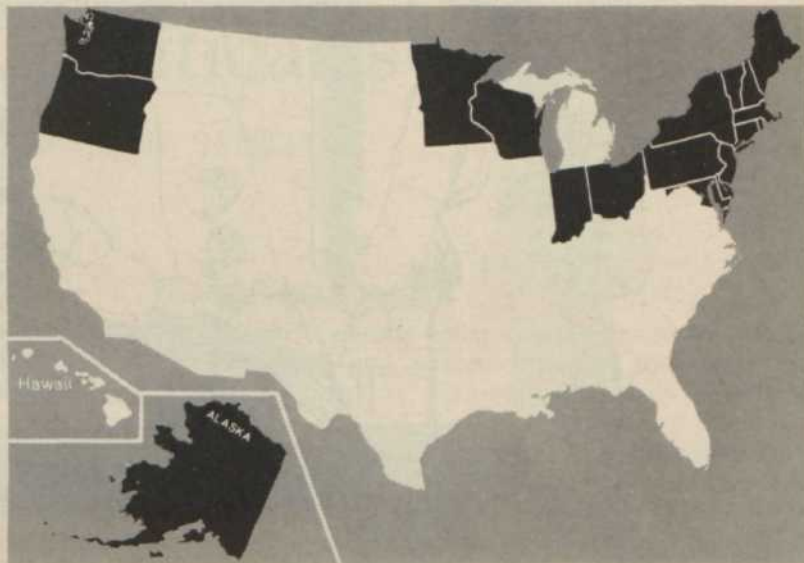
"The majority of executives charged with the responsibility for meetings work around deficiencies in physical accommodations even as they curse them," Mr. Schafer says.

Methods for handling meetings varied widely. Some firms have manuals detailing the best ways for arranging and running conferences, others operate on a spur-of-the-moment basis, risking film projectors which fail to work, inadequate meeting space, and other headaches.

Note: Less than one per cent of the executives interviewed had received formal training in how to make the most of meetings.

"There are far too many meetings," one banker commented. "Still, the only way I can get to see half the people I have to see is to call a meeting."

# ? Is your state in or out



**IF YOUR HOME STATE** has been plucked from this map, it means that you and your community are probably cut off from some rather important financial advantages.

For unlike the 18 states that are IN, the 32 OUT states do not have a single mutual savings bank among them.

Time and again it has been demonstrated by recognized authorities that in mutual savings bank communities, depositors usually receive the highest rates on money saved and the lowest rates on money borrowed—especially for home ownership.

What can be done about this financial discrimination? Perhaps the simplest answer is to allow mutual savings banks to operate under Federal charters, the system that has long been open to most other financial institutions: commercial banks, savings and loan associations and credit unions.

For example, the Commission on Money and Credit strongly "recommends that Federal charters be made available for mutual savings banks." The President's Committee on Financial Institutions (Heller Committee) also favors Federal charters for mutual savings banks.

Mutual savings banks also can be established by state law in states where they do not now exist.

If you would like to know exactly how your own community can benefit from mutual savings banks, through either state or Federal charter, just mail the coupon.

### TYPICAL COMMENT FROM TEXAS

"Indeed we are very interested in mutual savings banks. Our board of directors would like a copy of a model charter bill that may be adapted for our state."

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EVERY STATE NEEDS MUTUAL SAVINGS BANKS





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***What they are...what they can mean to your employees...  
why BLUE CROSS alone offers them!***

"Personalized Benefits" have made Blue Cross the foremost hospital expense protection with companies which seek maximum value for their employees.

Today, these benefits help bring unequaled security to some 61 million people of all ages.

"Personalized Benefits" mean all that the name suggests. They are individualized and tailored to fit the specific case, because the help is given in terms of *actual hospital care*, rather than a fixed daily allowance in dollars. The benefits literally expand to fit the need.

With the many forms of health care protection being offered at the present time, Blue Cross Plans are still the only source of these "Personalized Benefits." The reason is clear. Only Blue Cross Plans have the special working relationship with hospitals across the country that is needed to make them possible.

"Personalized Benefits" are one more evidence of the remarkable flexibility to be found in Blue Cross programs. It is a flexibility which makes them ideal for employees of every income level . . . for businesses of every size and type . . . and for companies which operate locally or in all fifty states.

Blue Cross time-proven methods and administration simplify procedures in a way that pleases employees and minimizes office detail.

All of this, quite naturally, has a bearing on why Blue Cross gives so much more for the money. Last year, for example, Blue Cross Plans returned to members in actual care 93¢ of every dollar paid in. That is far more than the average for all other forms of protection.

Blue Cross Association, Inc., 840 North Lake Shore Drive, Chicago 11, Illinois.





# Drama outdraws issues on political swings

BY MERRIMAN SMITH

THE DRAMA OF THE PRESIDENCY is something no political challenger can possibly match. President Kennedy knows this to be true and he is using it. Any President who failed to capitalize on this drama would be most insensitive.

Mr. Kennedy could not care less when he reads the frightful denunciations from the opposition because he has toured the provinces at taxpayers' expense.

The charge is so true. The taxpayer is picking up most of the tab for his carefully labeled nonpolitical inspection tours of damsites and national parks which were well established long before John F. Kennedy saw his first voting machine.

Politicians, however, are a bunch of forgetful cusses. They tend to negate history, or attempt to, in any event. The current crop of Republican spokesmen seems to have forgotten entirely that former President Dwight D. Eisenhower, on the verge of an election year, took many a nonpolitical junket himself.

Harry Truman was more than happy to "inspect" empty acreage on which the federal government had optimistic option. The late Franklin D. Roosevelt wrote the book for inspection tours in off-years.

No one with a campaign button to his name ever believed that the President's 10,000-mile western junket was anything but a down-payment on 1964. This has to apply to Mr. Kennedy, too.

He is running, and running hard. For that reason, it is useful to examine some of the little-publicized human aspects of his western trip, as a sort of laboratory specimen, which will be repeated again and again between now and election day.

Mr. Kennedy seems to have borrowed a campaign technique from the late Senator Estes Kefauver: Shake hands with as many people as possible within limits of time and geography.

No President of modern memory has shaken so many outstretched paws as he. He shook hands at one point with a small, cereal-smeared baby. He caused

airport fences to collapse under the weight of breathless men and women thrusting their kids toward him, almost as squirming little holy objects to be blessed.

How all of this translates into votes remains to be seen. But one thing emerges rather clearly: A challenger will find it awfully hard to match the President's crowd-pull, his charm along the fences of crowded airports, his ability to look slightly embarrassed but interested as terrifyingly feathered chiefs of an Indian tribe induct him as a blood brother.

Hands—little hands, big hands, hands with big rings, hands flashing with bright nail polish, dirty hands, wrinkled hands of the aged—reach toward him. His freshly pressed suit rumples as men and women scoot under a barricade and swarm over him. His Secret Service guardians try to be polite, and still protective.



The significant accounts of the President's journeys largely ignore the human drama that takes place several times a day while he is traveling. Also, the political experts ignore the drama of his motorcade and aerial armada. The people, for example, of Ashland, Wis., and Redding, Calif., seldom see a swarm of turbo-jet helicopters and gleaming limousines.

And the President takes full advantage of this drama. His Salt Lake City speech, for instance, was an undisguised blast at the more solidified right wing elements of the G. O. P. Considering the setting and the tone of his remarks, Mr. Kennedy seemed to be shooting at a pre-fixed 1964 target—Barry Goldwater.

Win or lose, Mr. Kennedy is spoiling for a fight with the gentleman from Arizona. After all the dams were dedicated, the national park deer fed, the hands shaken, this seemed to be the overriding impression of Mr. Kennedy's western trip.

Now, to fight back evenly, all Senator Goldwater has to do is get a fleet of turbo-jet helicopters and gleaming blue and white jet transports. They pull crowds better than issues.

*Merriman Smith is the White House reporter for United Press International.*



# '64 CHEVROLET, <sup>THE ALL NEW</sup> CHEVELLE!, '64 CHEVY II



Jet-smooth '64 Chevrolet Bel Air 4-Door Sedan



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### FEATURES

- Roomy, rugged Body by Fisher
- Flush and dry rocker panels
- Steel front fender underskirts
- Delcotron generator
- Self-adjusting brakes
- Spacious deep-well trunk
- Fully aluminized, longer lasting muffler
- Independent Full Coil suspension
- Deep-twist carpeting now in all models including Biscayne
- Improved standard six and V8; 5 high-output optional V8's\*

## CHEVELLE!—new name, new size, same Chevrolet value!

Here's Chevrolet's latest! It's a kind of car you've never seen before—but you're going to see a lot of Chevelles in '64 and you'll like what you see! Inside and out, it's something you'd be proud to park in front of your most important customer's place of business. It's a good foot shorter and a few inches narrower than the big cars, so it parks in the tightest spots. But it offers surprisingly generous passenger space, leg room and trunk capacity. And while it's completely new and different from the big '64 Chevrolet, it has Chevrolet quality through and through. Same easy care features—self-adjusting brakes, air-washed rocker panels and so on. Same rugged Body by Fisher and Full Coil suspension at all four wheels. Same dependability. And even though it's all new, it's by Chevrolet with the Chevrolet Resale Value.

### FEATURES

- Trim overall size, generous interior room and trunk space
- Independent Full Coil suspension
- Body by Fisher with separate all-welded perimeter frame
- Flush and dry rocker panels, steel front fender underskirts
- Delcotron generator
- Self-adjusting brakes
- Fully aluminized, longer lasting muffler
- Ample-size trunk with bumper level loading
- Standard engines: 120-hp Six, 195-hp V8. High-performance 155-hp Six\* and 220-hp V8\* available

## CHEVY II—smart new thrift in a stylish new package!

If you want a combination of good looks, comfort, low initial cost and real operating economy, the 1964 Chevy II makes a whole lot of sense. Modest outside dimensions and a short turning radius make it ideal for traffic. Yet doors are big and wide for easy entry and exit. And there's ample room for driver, passengers and samples inside in the relaxing comfort of its Body by Fisher. Generous trunk space, too. Chevy II shares the easy maintenance features of the big Chevrolet to keep down cost-per-mile, along with its own special operating economies. Its remarkably smooth ride and outstanding styling make Chevy II a favorite with everyone who wants to remain cost-conscious yet stay comfortable, too... Chevrolet Division of General Motors, Detroit, Michigan.

### FEATURES

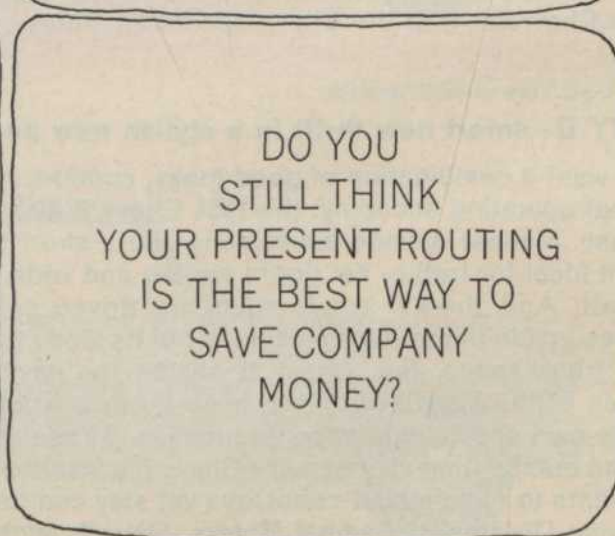
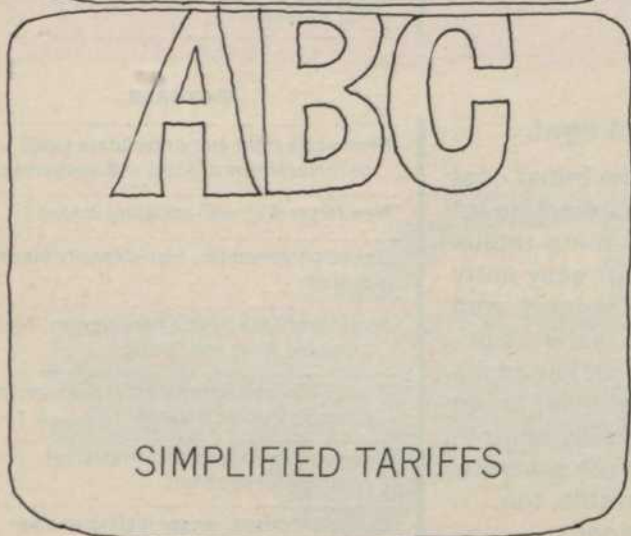
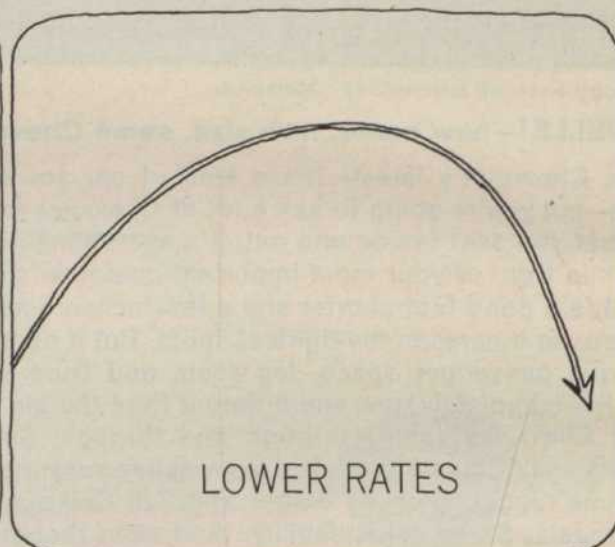
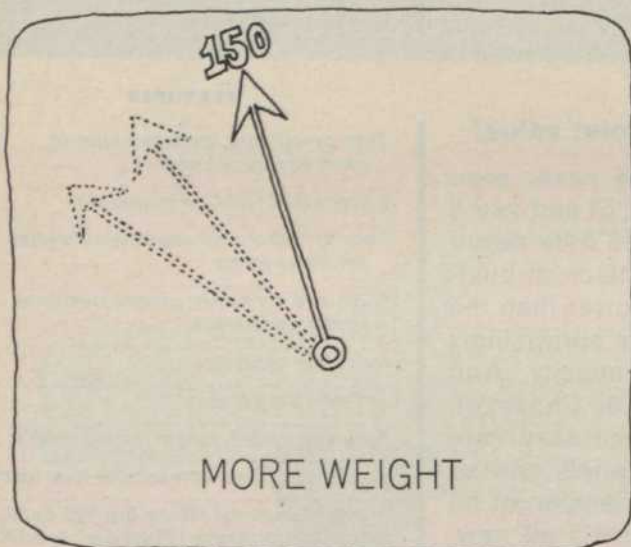
- Removable front end to facilitate repair or replacement of front end components
- New larger 9½" self-adjusting brakes
- Delcotron generator, high-capacity electrical system
- Single-leaf Mono-Plate rear springs, high-mounted front coil springs
- Choice of a four, standard Six, high-performance Six\*, or V8 engines\*
- Extensive use of corrosion-resistant coatings throughout
- Fully aluminized, longer lasting muffler

\*Optional at extra cost.

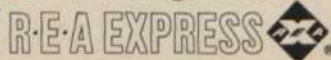
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## Thaw in the cold war encourages East-West trade

BY FELIX MORLEY

THE EUROPEAN BUSINESS COMMUNITY, by and large, believes that the present armistice in the cold war will prove permanent. It does not forget that the infamous wall still divides Berlin, and that physical passage to and from the communist countries is everywhere a complicated procedure. But holes in the Iron Curtain grow larger and with them grows the expectation that East-West trade is on a slowly ascending curve. Such a commercial development would certainly tend to normalize political relations.

To travel through Europe this autumn is to see evidence of the trend. The better English newspapers carry advertisements, small and discretely worded, of Russian banking and tourist agencies. In the French harbor of Le Havre a smart Soviet liner—the *Michael Kalinin*—is embarking passengers for its regular trip to Leningrad. At Rotterdam, now Europe's leading port, wharf space is reserved for Russian trawlers to market their fish. In West German cities the Czech government maintains showrooms for its Skoda car. On the boulevards of Vienna luxury shops display the famous Meissen china, direct from its East German manufactory.

In Austria, where this article is written, about 14 per cent of all foreign trade is currently with the Soviet bloc. The argument is whether it could safely be raised as high as 20 per cent, which would still be five per cent less than the proportion of Greek exports now going to Russia and its satellites. From West Germany, on the other hand, only six per cent of exports now move into the communist sphere. In that divided country, naturally, any concessions that seem in the Soviet interest meet strongest opposition.



Intermingled factors explain the change in the political barometer, from stormy to cloudy—not yet fair—relations with Moscow and its dependent governments. The most important is the Russian-Chinese cleavage, partly caused by and partly resulting from, Premier Khrushchev's emphasis on peaceful co-existence. Almost equally instrumental is the adoption of the nuclear test-ban treaty, followed quickly by the decision to sell wheat to Russia—both taken by Europe

as assurance that the Kennedy Administration intends to move towards cautious collaboration with the Kremlin.

This stimulates the already strong disposition in Western Europe to achieve a *modus vivendi* with the East. And what is regarded as a lead from Washington is ironically made more instrumental by the American balance-of-payments problem. Here the dollar has lost much of the esteem it possessed in the early postwar years. A recent article in the *London Times* speaks almost gloatingly of "the shift of financial power eastwards across the Atlantic."

So the almost instinctive effort of Western Europe to form a Third Force, if possible guarded by America against Russia without being subservient to Washington, is now prompted by doubts of dollar stability.



Russian ships are becoming a more common sight in West European ports as political atmosphere changes

The astonishing prosperity of its members, even though overcast by renewed inflation in Italy and France, is making the Continent more independent in its thinking; more disposed towards East-West trade.

The difficulties are not to be minimized. All foreign trade, in all the communist-controlled states, is in the hands of governmental "combines." Terms must be arranged through these, which means much bureaucratic impediment. Arrangements made are also sometimes arbitrarily altered. On the whole, however, Soviet



## TRENDS: STATE OF THE NATION

undertakings, in commercial relations, are regarded in Europe as dependable.

Moreover, those with experience tell you that since the Stalin era the climate has greatly changed. Then the communist commercial agents were afraid to make any but routine decisions. A signature on an agreement displeasing to the dictator might, months later, mean disgrace or worse for the official responsible. Under Khrushchev there is encouragement to exercise individual salesmanship, with rewards rather than penalties for bureaucratic initiative.

Also, the strength of socialist controls in many Western European countries undoubtedly makes it easier to deal with communist counterparts. All basic industry in Austria, for instance, is nationalized. So a government official in Vienna can bargain directly with one in Belgrade, Budapest, or Prague. Since there is no competitive bidding on either side, the price negotiation is a matter of personal agreement.

There is probably no limit to the amount of Western European products which the communist governments would now like to buy. How they can pay for such purchases, aside from the sale of that Red oil now being heavily exported, is another matter. Russia, of course, has almost limitless raw materials, but aside from oil, timber, furs and some mineral ores, none of these is in strong demand. Russian inventive skill is unquestionable and *NATION'S BUSINESS*, in August, noted some patents and licenses which European producers are buying from the U.S.S.R. But this income, plus that from a few manufactures and specialties like caviar and vodka, will not provide much foreign exchange.

Russia, however, produces gold, in large but unascertainable quantity. From the reports of the Bank for International Settlements, at Basel, it is known that the equivalent of nearly all current gold production, other than Russian, is being drained off by hoarding. Doubts about the dollar have stimulated the demand for gold, which means that the Russian government can exert leverage in the international market, either by withholding or by selling its production. If gold is generally revalued upwards, as many European bankers anticipate, it will of course temporarily increase the purchasing power of this Russian asset.

In the East-West picture the German Federal Republic is a case apart, because here unique political factors are operative. The Bonn government must be suspicious of Moscow so long as the Kremlin holds a whip hand over Berlin and the so-called German Democratic Republic. Moreover, Khrushchev is currently as obdurate as Stalin, if not more so, in refusing to permit a reunified Germany unless it is simultaneously neutralized.

What surprises the visitor to Germany now is not so much the political opposition to trade with Russia, but rather the large amount of industrial and financial opinion which favors it, even at the cost of accepting the Russian thesis of two Germanies. The

argument here is clear-cut. In spite of remarkable achievement the prosperity of West Germany is not regarded as well insured. Prices are rising, the competition of other exporters grows ever keener and to sustain high living standards it is deemed desirable to rebuild the Eastern trade in which the Ruhr has such obvious geographical advantages.

Washington's turn in the direction of peaceful co-existence, cautious though it is, has given many Germans a severe emotional shock. They fear this means indefinite continuation of their country's painful partition. But outside of Germany there is very little European sentiment in favor of a Reich which would be reunited as well as rearmed. Too many people, of too many nations, have vivid memory of the ruthlessness of Nazi domination.

Appreciation of this lingering mistrust adds to the sense of political frustration apparent in Germany today. And this frustration in turn curiously supports the economic strength of the Federal Republic. With dreams of world-wide power and prestige shattered, this industrious people has come to think primarily in terms of material satisfactions and individual well-being. Their capacity for hard and skillful work is producing a standard of living heretofore never achieved in any European country.

The result of this effective popular demand is especially apparent in the automobile industry and was dramatically evident at its annual exhibition in Frankfurt this September. Here one learned that this industry alone, in which American capital is heavily invested, today employs one out of every 10 German workers; that its production for the first seven months of this year was 17.5 per cent above the corresponding period in 1962. Moreover, one out of every two cars that roll from the assembly lines is exported.

If the barriers that block the nearly deserted roads of Eastern Europe were raised, this export flow might continue almost indefinitely, a prospect which manufacturers, bankers and factory workers alike find attractive.

Some Germans urge more trade with the satellites because they believe this would "open a window" to the West, in time working to release these countries from Russian control. Others see such trade as a door leading to the greater potential of a Russian market. Though the motives are very different they currently work in the same direction. Therefore the German push for greater East-West trade is strong. Whether it can enlarge the present trickle to a substantial stream will depend largely on the Russian response; on whether the Soviets can substantially increase production of goods desired by the West.

To accomplish this there must be less concentration of resources and manpower on defense. Therefore, West Europeans tend to conclude, Khrushchev is at least temporarily sincere in his "diplomacy of peace." Concessions by Moscow which will be real, though reluctant, can be expected. A pawn like Castro may be sacrificed for larger ends. And further modifications of communist theory are deemed inevitable if Russia is to attain that export capacity on which further economic development largely depends.





## How long could you keep a disabled employee on salary?

Most companies have a policy of paying a disabled employee for as long as possible. But what happens when an employee becomes so disabled that he may never be able to work again?

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Under this Equitable plan, the burden of paying a disabled employee is taken off your shoulders. The Equitable does it for you—sends him a monthly disability check for as much and as long as you decide when the contract is written. *What's more, your premium cost is completely tax deductible.*

Get the whole story of Equitable's Group Long Term Disability Insurance. Find out how well it can protect your company's financial interest, increase your employees' sense of security and enhance your good name in the community. For complete details, call on Equitable. Or mail the coupon below.

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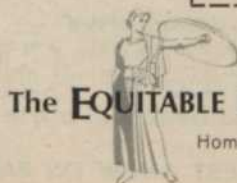
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# ELECTION ★ ★ YEAR ★ ★ FORECAST

ONE YEAR from this month millions of voting-age Americans will make far-reaching choices.

They'll choose not only a President, but United States senators and representatives, governors, state legislators and thousands of public office holders in communities throughout the nation.

Before decisions are made

in the polling booths, however, there will be a pervasive and stormy dialogue involving candidates, the issues, and the voters.

In the special section which begins on the following page, NATION'S BUSINESS offers you a comprehensive forecast and analysis of election year 1964. The articles are designed to help you follow the polit-

ical dialogue as it unfolds.

The section covers key aspects of the election-year outlook: Issues which will be decisive. The role of the businessman in politics. The part which organized labor—through its powerful Committee on Political Education—will play, and more.

If you want to make your influence felt in next year's elections, the time to start is now. The big decisions in politics are made early, months in advance of election day. It is for this reason that thousands of businessmen already have begun to inform themselves on the candidates, the issues and the workings of the political machinery of the country. It explains, too, the unprecedented efforts which both the Republican and Democratic parties are making to win and hold the support of businessmen.



# ***What will decide presidential race***

Political authorities predict  
the major campaign issues

THREE FACTORS will be decisive in the 1964 elections:

- ▶ The shape of the economy.
- ▶ Voters' impressions of what President Kennedy has done.
- ▶ The Republican candidate.

Other issues will, of course, divide parties and candidates. In a local race, a candidate's stand on a school bond issue or a misunderstood campaign quip could decide the election outcome. But even in a county commission race, major national issues will help determine where battle lines are drawn.

Many people believe that President Kennedy can't be beaten in 1964 by any candidate or issue.

"White House incumbency is tantamount to re-election," is the way one political scientist put it recently. But such pedantic positiveness is risky in the unpredictable world of politics.

Not even the most optimistic Kennedy lieutenant believes the Administration can slip into another term without a most vigorous review and defense of its decisions on a multitude of national and international matters.

On the other hand, no G. O. P. candidate will concede that the odds are against the Republicans in '64.

Because politics is so volatile and issues can appear and fade quickly, both fear and hope are constant companions of candidates. Even the experts make iffy predictions.

With election now one year away, NATION'S BUSINESS editors talked with authorities in and out of politics, the objective and the prejudiced, to learn what they expect the prime issues of the coming presidential election to be.

## **Shape of the economy**

When President Kennedy took office, the United States was just pulling out of its fourth postwar recession. A cardinal promise of his campaign was to get the economy moving again.

Most economic indicators have pointed upward during the past three years. But not everyone is satisfied.

"If the Democrats can make six per cent unemployment and a creaky dollar structure look like prosperity, it will be quite a trick," says University of Michigan political scientist George Grassmuck. Professor Grassmuck was research director for Richard M. Nixon during the 1960 campaign.

Moreover, the economy has suffered a recession on the average

of every 44 months since World War I and every 42 months since World War II. By January it will be 44 months since the last downturn began.

The President is pushing for prompt tax reduction to put extra dollars and incentives into the economy and ward off recession. Most economists believe the economy is in good health and that this will last for many months, particularly if a tax cut is passed.

As Rep. Bob Wilson, Republican Congressional Campaign Committee chairman, notes: "Recessions naturally are unfavorable to any candidate in office, Democratic or Republican. And if there is a downturn, it could be a big issue."

If the economy slumps or even if many of the indicators are ominous, especially if this develops after taxes are cut, President Kennedy could be in serious political trouble. He has put most of his eggs in the tax-cut basket.

Closely connected with the economic issue, at the other end of the fiscal seesaw from taxes, is high spending. Even many Republicans did not at first realize how deeply rooted is the American thrift ethic. Much of the resistance to tax cuts has come from the mass of people



who cannot understand how taxes can be lowered when spending is rising.

"There's a 'let's save a buck now even if it will cost more later' feeling in the country now," says Robert W. Kaufman, associate professor of political science at Western Michigan University.

Whether or not it is permanent, there's no doubt that people currently are concerned as to how much of their money is being spent, and how. We have more taxpayers today than ever before and more money is being spent on more things. At least some of it is for things most people will never see or use, from increased foreign aid to Kenya to buy wives for its government officials, to millions to develop an Oklahoma lake as a tourist center through the Area Redevelopment Administration.

"As an emotional issue, federal spending is a good one," says Representative Wilson. "People don't like to see their money wasted."

Tied to the spending issue is the complex problem of the deficit in

our international payments. This has plagued both the Eisenhower and Kennedy Administrations. Though it is not completely understood by many citizens, Republicans can picture the fiscal policies of the Kennedy Administration as so loose that gold is flowing from this country and our dollar is insecure.

Democratic National Chairman John Bailey told NATION'S BUSINESS:

"Republicans are always complaining about spending; they always have. But where are you going to cut it? There's very little room where any cuts can be made. Our federal spending and debt haven't gone up as much as state and local debt or as fast as the growth of the economy itself."

Whoever is the G. O. P. presidential standard-bearer, federal spending and budgets will be a dominant issue. Spending will be at a rate of more than \$100 billion annually and another red-ink budget is all but certain.

It is easier to call for cuts in spending than it is to justify ever-mounting deficit budgets. And, as Republican National Chairman William Miller explains: "People don't like to be told not to worry about spending and debt. They know they have to worry about their own debts and believe the government should be concerned, too."

### People's impressions

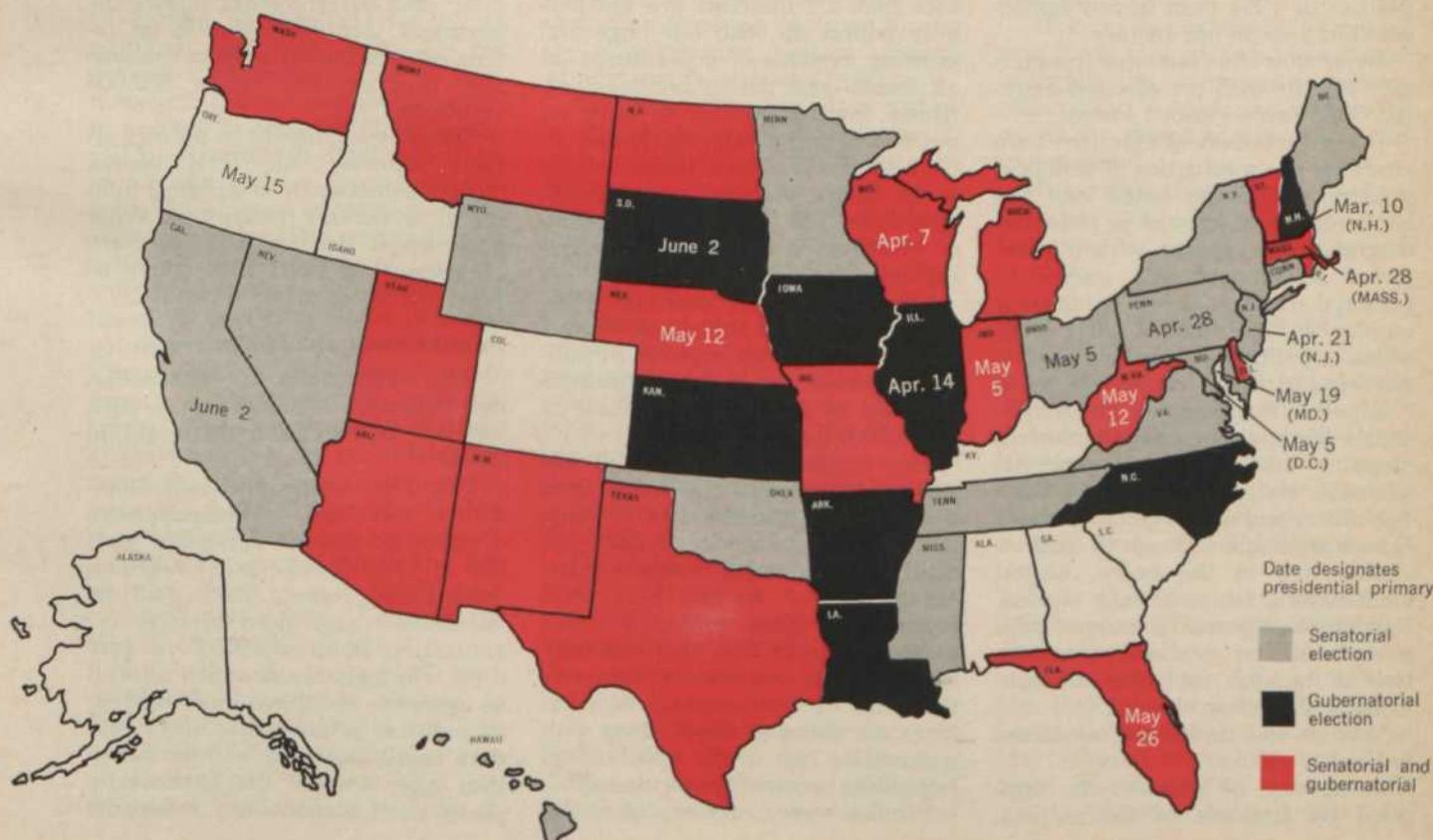
An all-encompassing and traditional issue of election campaigns is the record of the incumbent. Not just an officeholder's actual record but the impression people have of what he has done.

This public impression is, of course, influenced greatly by an officeholder's and his opponent's skill in making things appear in their best, or worst, light.

President Kennedy's handling of the civil rights issue may be one of the most important factors in the '64 election, political insiders say.

Mr. Bailey claims: "It's an issue (continued on page 102)"

**At stake in '64 elections:** the presidency, all 435 seats in the House of Representatives, 35 of 100 Senate seats, 26 of 50 Governor's chairs, plus innumerable local offices





**ELECTION  
★ ★ YEAR ★ ★  
FORECAST**

# *Coming: biggest role ever for business*

Hands-off attitude toward politics is giving way to more active participation in party activities

**MORE BUSINESSMEN** will take an active part in the hurly-burly of politics in 1964 than in any earlier election year in our history.

Even now the business community is astir with pre-election activity. This takes various forms:

Record numbers of executives are studying the mechanics of practical politics; examining issues and the backgrounds of avowed or potential candidates; weighing which office-seeker to support with money or personal effort, or both; urging their employees, regardless of party affiliation, to inform themselves and to participate in the elective process.

Finally, businessmen in significantly large numbers are themselves stepping into politics as aspirants to local, state, and federal offices.

Until recent years comparatively few businessmen chose to play a visible role in the noisy, heated business of getting someone elected. Participation generally stopped with a signature on a check, conversation at the club, or oaths at breakfast the day after election.

Why is the traditional aloofness fading?

A number of answers are supplied by students of the subject.

They point out that the businessman is becoming more aware of the fact that his interests are inextricably bound up with our huge and growing systems of government—at all levels—and that a hands-off attitude toward politics is both an outmoded and dangerous luxury.

"Nobody can any longer afford to be 'above politics,'" says freshman Rep. Bill Stinson, Republican of Washington and a former Westinghouse junior executive.

"Businessmen are learning," Congressman Stinson continues, "that if they don't take an interest in politics, someone else will, and business will lose its freedoms by default as a result of inaction."

Rep. John Dowdy, a Texas Democrat, assesses the trend from a perspective of more than 10 years in Congress. "I notice definite indications of a rising business interest in politics," he told *NATION'S BUSINESS*. "One reason for this greater participation, this less hesitant attitude, is a new awareness on the part of businessmen of what taxes are doing to them, along with a mounting fear of the effects of an expanding central government."

Similar views are expressed by

others, including Thomas R. Reid, director of Ford Motor Company's civic and governmental affairs department. Mr. Reid directs an intensive, continuing political education program for Ford's 150,000 employees.

"Whatever happens in politics affects business," Mr. Reid asserts. "The businessman is kidding himself if he doesn't realize this. What government does is just as much of interest to Ford these days as what our competitors do."

## **Parties seek out businessman**

The opportunity for a broader, more vigorous business role in politics will be exceptionally bright in 1964.

The Democratic National Committee will have a businessmen's division for the '64 campaign as it did in 1960, Democratic Chairman John Bailey reports. And it will be "a stronger and more effective organization than in 1960," he predicts. He feels businessmen as well as everyone else have more interest in political affairs these days and that small business will probably lean more toward the Democratic party, particularly since, as he puts





UNTERNAHRER-PIX

Plans for Ford's 1964 political education program are reviewed at Dearborn by director Thomas R. Reid, at left, and two aides, Harrison Clark, center, and Horace E. Sheldon

it, the Kennedy Administration has accelerated aids to small business and kept the economy rising.

William E. Miller, Republican national chairman, says he has noticed a phenomenal rise in businessmen's interest and participation in politics in the past dozen years.

The Republican National Committee will make a special drive to enlist the support of business in the 1964 campaign. The committee has a list of 75,000 names of business and professional men who have taken various courses in practical politics throughout the country. These names will be passed on to county political leaders with the aim of soliciting the help of these aroused citizens as candidates, finance chairmen, organization chairmen, and for such special activities as public relations and speaking.

"We'll be at the end of the line to catch them as they finish these courses," says Albert Hermann, the G.O.P. campaign director.

Hundreds of businesses have sponsored the Action Course in Practical Politics since its introduction by the Chamber of Commerce of the United States in 1959. An estimated half million persons al-

ready have taken the nonpartisan course. Chamber officials report that orders for discussion materials used in the nine-session program are on the upswing now, well in advance of next year's earliest primaries.

The course has served as a step-by-step guide for political organizers and candidates throughout the country.

It is credited by some congressmen, including California's Burt L. Talcott, as a key element in their successful bid for office.

"Many of the hundreds of volunteers who worked in my behalf were graduates of the course," Representative Talcott recalls. He had taken the course when, 50 days before last year's congressional election, he decided to run for Congress to replace a candidate who had died suddenly.

Republican Rep. Durward G. Hall of Missouri is a man who applauds the more outspoken role of business in politics but worries that the awakening may be "15 years too late."

A surgeon of long experience in Springfield, Mo., Dr. Hall was elected to the House in 1960. He feels that business is making its

influence felt more in government, but he thinks that there is still a long way to go.

"Too many businesses," Dr. Hall says, "are still willing to sell their birthright for government contracts, rather than recognizing and facing up to the threat of expanding federal power."

He predicts that control of federal spending and power will prove to be the decisive issue in next year's election.

#### **Does politics hurt business?**

Fear of economic reprisal has always been a deterrent to businessmen when they entertain the idea of meeting the political challenge head-on. The experience of candidates in recent years, however, suggests that the object of this fear may be more of a phantom than a reality.

Take the case of Congressman Stinson. One of his most active supporters in last year's race was an auto dealer whose friends warned him that he was risking the loss of customers by working so openly in Mr. Stinson's behalf—especially since his dealership was located

*(continued on page 92)*



# *Unions' political machine builds more strength*

COPE will concentrate on winning close races; targets tell how to win against labor's might

ORGANIZED LABOR'S political machine will be a critical element in the presidential election and many close state and congressional races next year.

Most of the activity will be directed by the AFL-CIO's political arm, the Committee on Political Education, with four basic objectives:

- ▶ Re-elect President Kennedy.
- ▶ Retain the approximate 60-40 majority of union "friends" in the Senate.
- ▶ Increase their number in the House (now estimated at 210, eight short of a majority).
- ▶ Elect state governments friendlier to unionism.

Candidates and politicians may disagree as to the fairness of COPE policies and activities and the extent of its effectiveness. But few dispute that in many close races it can be the deciding factor—a useful ally to those candidates it helps and a force to be reckoned with by those it tries to defeat.

President Kennedy heads the list of officeholders whom COPE has helped elect and who are counting on its support again. The President

said as much a few weeks ago when, in a meeting at the White House, he greeted labor's political leaders from national headquarters and our 22 largest cities.

"I see a good many familiar faces from a good many old battles," the former Massachusetts senator and representative quipped as he surveyed the union politicians gathered near the garden outside his office.

After praising them for "the usefulness of what you do," he concluded: "I'm glad to see you. I hope to see you again soon."

The President has, in effect, given credit to COPE for the Administration's surprising success last year when the Democrats lost only four House seats instead of the 25 or more which the party controlling the White House usually loses in the mid-term congressional elections.

Addressing the union political leaders as they were about to launch a massive voter registration drive last year, Mr. Kennedy said: "What happens in November will be very much due to the kind of work you are able to do in the coming weeks and months."

COPE is praised by some as a nonpartisan, enlightened political

force and criticized by others as a tool of the Democratic Party.

"They made an all-out effort to defeat me just because I was a Republican," complains Sen. Margaret Chase Smith of Maine, whose voting record—by union standards—was 80 per cent "right" when she last ran in 1960.

Another Republican, Rep. Glenn C. Cunningham of Omaha, told NATION'S BUSINESS:

"Organized labor in my district voted to endorse me, as they had before, but national COPE leaders, working hand-in-glove with [Democratic National Chairman John] Bailey, persuaded the state organization to override the endorsement."

The former Omaha mayor, who says he is from a working-class family and voted as unions wished on minimum wage, labor reform, welfare funds and civil rights legislation, attributes his re-election by a record margin to redoubled efforts of local unionists who were incensed by the state organization's reversal of their endorsement.

"Quite a segment of organized labor, particularly the building trades unions, is opposed to COPE," according to Representative Cun-





GEORGE TAMES

Labor politicians from 22 cities hear President Kennedy praise their political efforts. AFL-CIO leaders standing clockwise around Mr. Kennedy: A. J. Biemiller, chief lobbyist; Lane Kirkland, aide to President George Meany; Joseph M. Rourke and Alex Barkan of COPE; Albert Zack, public relations director, and Mr. Meany

ningham. "They don't like the practice of condemning Republicans, because they have many Republican friends."

#### **Unions break ranks**

Some unions, particularly railroad brotherhoods and unions not affiliated with the AFL-CIO, such as the Teamsters and Mine Workers, support some candidates opposed by COPE or leave the endorsement to the local groups.

The Retail Clerks International Association, for instance, whose international president, James A. Suffridge, is a member of the AFL-CIO Executive Council and close to President George Meany, supported Senator Smith's candidacy in 1960. As a result, she paid the union this compliment:

"Instead of supporting all nominees of one political party, the Retail Clerks look at the actual record of the candidate to determine whether they will support that candidate. They judge the candidate on his or her voting record, instead of solely on the party to which that candidate belongs.

"There must have been a lot of Retail Clerks in Maine, because in

spite of COPE's all-out opposition to me I was re-elected with the largest vote in Maine's history, and the largest winning percentage of all Republicans throughout the nation for United States Senator."

Al Barkan, new director of COPE, explains that union political leaders in Maine preferred to support a woman state legislator who had a 100 per cent favorable voting record.

The Retail Clerks currently are among a few unions friendly to Sen. Hugh Scott, Pennsylvania Republican, who runs next year and probably faces a tough fight because he won with only 51.2 per cent of the vote in 1958.

The former Republican national chairman has never had COPE's backing although his voting record is an even 50-50 by its measurement.

Charles B. Lipsen, director of the Retail Clerks' political and legislative activities and its Active Ballot Club, justifies support for Senator Scott this way: "He has helped us many times when we asked for his vote. You can't ask a man for help, get it, and then not support him when he needs help."

Rep. John F. Baldwin, five-term

Republican from the San Francisco Bay area of California, has always been opposed by COPE despite the fact that his voting record is 26 "right" and 13 "wrong" votes—2-1 in labor's favor.

"They normally expect 100 per cent support," the California lawyer explains.

#### **Big assist to Democrats**

Jack Mills, who as campaign director of the National Republican Congressional Committee comes face-to-face with union political workers all over the country, views COPE as not just an arm of the Democratic Party, as some critics say it is, but 90 per cent of it.

"It is by far more responsible for electing Democrats than is the Democratic organization," he charges.

While admitting that the Democratic organization works closely with the union organization on registering voters and that the manpower it can provide in this and in getting out the vote on election day is very useful, Democratic Chairman Bailey insists that COPE's activities are nonpartisan.

"It has done an excellent job of  
(continued on page 66)

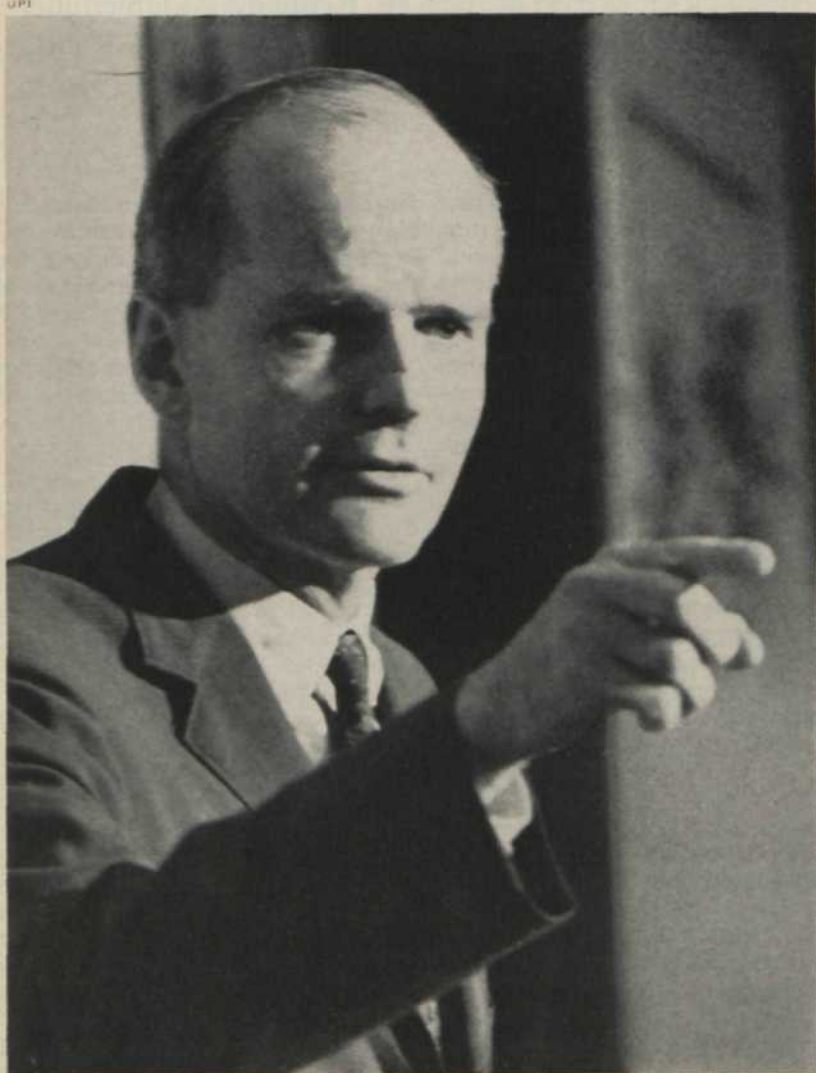


# *Glamour masks waste in space spending*

Congress must take more careful look to head off unnecessary cost

BY WILLIAM PROXMIRE

United States Senator from Wisconsin



THE TIDAL WAVE of spending on the nation's space program—unprecedented in a peacetime program run by a peacetime agency—can quickly get out of control.

My special, urgent concern, as a United States senator recently appointed to the Appropriations Committee, is that space budgets should get on a rational basis while they are still fairly near the beginning of a period of rising costs. The \$2 billion per year increase can be expected to continue and accelerate.

The effort to place men on the moon will alone cost \$20 billion before 1970.

(One scientist has jokingly suggested that if a way could be found to weld together 20 billion silver dollars, an astronaut could walk to the moon.)

It is a safe prediction that the real headwall on this steeply sloped mountain of expenditure still lies ahead—and has not been accounted for fully in the understandably conservative projections of the National Aeronautics and Space Administration. An intelligent independent estimate for the moon probe puts it at \$40 billion by 1970.

When the budget of a federally financed agency grows at the rate of \$4 billion in two years—as has that of NASA to the current spending request for \$5.7 billion—there is a special obligation to scrutinize



that budget with extra care. Yet this is precisely what so far has not taken place.

The space budget has received virtually nothing but tender, loving care in Congress. The few of us who have questioned the wisdom of funneling funds into an agency at such a breakneck rate have been buried under a reproving avalanche of votes.

The consequences of this mushrooming rate of spending are predictable. The moon venture has already fallen three quarters of a year behind schedule—not for lack of funds, but because of a serious management crisis.

Nobel Prize-winning physicist Dr. Polykarp Kusch told the Senate Space Committee that the moon program is being carried out with

“a certain flamboyance, a mood of haste, that is not commensurate with first-class scientific research.”

He also said: “It is my belief that the present space program attempts too much too fast. There is not enough time for profound thought, for imagination to play over the demanding problems that occur.”

President Kennedy’s proposal at the United Nations, that this country and the Soviet Union jointly undertake lunar exploration, demands further reappraisal of where we are going and how fast.

Whatever the merits of the President’s proposal, his downgrading of the competitive aspect of the moon program—a major justification for our wasteful haste up to now—strengthens the argument for a

slower, more rational approach to space exploration.

The real issue is not whether we should explore space—of course we should. We should do so rapidly and competently, in the great tradition of American scientific leadership. But this does not mean that the space agency should be handed a license to spend billions of dollars unnecessarily on projects that duplicate others, are wasteful, or are nonproductive.

As has been shown over and over again, frenzied science is not good science. The legitimate and understandable desire for rapid accomplishments cannot be satisfied merely by pouring in ever larger appropriations of dollars.

NASA has been able to route its  
*(continued on page 108)*

Wisconsin Senator William Proxmire criticizes waste in space program, including some projects sought for Manned Spacecraft Center in Houston

HERSHORN—BLACK STAR





# Nation's Business OUTLOOK SYMPOSIUM

PHOTOS: GUY GILLETTE



Panel discussing next three years includes, from left: IRVING LIPKOWITZ, director of economic affairs of Reynolds Metals Company; RICHARD W. EVERETT, manager of the sales control department of the Continental Can Company and 1964 president, National Association of Business Economists; WILLIAM F. BUTLER, vice president of The Chase Manhattan Bank of New York, where he is director of economic research; SOLOMON FABRICANT, director of research of the National Bureau of Economic Research and professor of economics at the Graduate School of Business Administration of New York University, moderator of the symposium; ROBERT P. ULIN, chief economist of the planning and economics department of the Socony Mobil Oil Company; and FREDERICK N. GOODRICH, executive vice president, United States Trust Company of New York.



# 1. Experts see three bright years ahead

YOU CAN reasonably expect and plan for a higher level of prosperity during the next three years.

This is a conclusion of six top-rated economists who advise leading business executives and whose views are widely respected in their profession. These men were brought together by NATION'S BUSINESS to explore and analyze the major economic possibilities of the future.

The middle years of the 1960's—the next three—will be particularly critical. The potential for change will be great, and the margin between profit gains and losses will widen. Most companies and most industries will do better during the period.

These are some of the important questions:

Will there be a speed-up in the rate of economic progress—and how much?

What actually will be the kind of business conditions you as an executive will have to face?

What kinds of things could change national trends, and how much change can you expect?

What are the prospects for recession?

To answer these and other critical questions about the next three years, NATION'S BUSINESS brings you the discussion in depth of these six forecasters.

**Mr. Fabricant:** It looks as if the United States may be producing goods and services at an annual rate of \$600 billion during the winter or

early spring. That's a lot of money.

Projections suggest that if all continues to go well, in about three years we may have added, in round terms, around \$100 billion to that rate.

That's an optimistic projection perhaps, but it gives us an idea of the dimensions of change to expect.

Another \$100 billion of gross national product suggests opportunities for businessmen, a big job for businessmen. What we want to do here is ask ourselves: "How optimistic can one be about the future? What are the opportunities that these additional billions will add to markets? And what are the responsibilities of businessmen in getting this growth?"

Let's start with this: Is there any sense in talking about a 4.5 or five per cent rate of growth over the next few years?

**Mr. Goodrich:** It is not out of the question. I think five per cent is pretty optimistic. But with productivity gains, if businessmen do their job—and I think they will, based on what they have been doing recently—and given the increases in the labor force, the figures support at least a 4.5 per cent gain.

**Mr. Fabricant:** Growth doesn't come about automatically. The increase depends on the extent to which people are willing to invest; it depends on the actions of businessmen and all others concerned in raising productivity.

Under what conditions do you get the incentives to invest, the incentives to raise productivity?

**Mr. Butler:** We have had a period of rather slow growth in relation to (continued on page 44)

William F. Butler, The Chase Manhattan Bank





# A LOOK AHEAD by the staff of the

## Urban push delayed

(Construction)

## More budget cuts seen

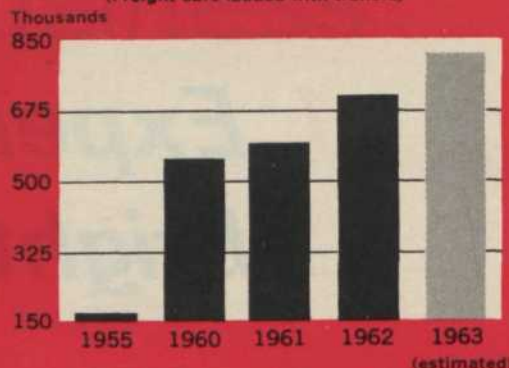
(Government spending)

## Tighter ad controls coming?

(Marketing)

### Piggyback shipments climb

(Freight cars loaded with trailers)



Source: Association of American Railroads

### AGRICULTURE

Recent indications of greater reliance on market forces may be reflected in farm legislation during the next session of Congress.

U.S. and Canadian wheat negotiations with the Soviet Union reinforce this prospect. High domestic support prices and the accompanying government control over supplies and market outlets have made some wheat producers, merchants, and processors more conscious of the limits to their competitive opportunities.

Close observers feel that efforts to maintain farm income by legislative devices pegging commodity prices above normal market levels are losing favor in Congress. Legislators, therefore, are expected to be more receptive to proposals providing a gradual adjustment toward market forces in farm programs.

### CONSTRUCTION

The push for a cabinet-level Department of Urban Affairs now appears to have been put off until next year.

Bills to set up such a new department were introduced early in the current session, but there has been no real effort to move them through Congress. To some extent, this has been due to the fact that the Administration has been more than busy on other fronts. But even more important, the resounding defeats which this proposal suffered

at the past Congress have left little enthusiasm for another early try at passage.

Several approaches to drumming up support for a Department of Urban Affairs have been considered. One plan called for administration teams to stump the country during the early fall in an effort to stir things up. This plan was scrubbed.

Another calls for a White House conference on urban affairs at which proponents would urge establishment of the new department. This has been tentatively scheduled for the first half of December, but late reports indicate that there have been some second thoughts and that the conference may be postponed or cancelled.

### CREDIT & FINANCE

It appears probable now that no major financial institution legislation will result from this session of Congress.

The House Banking and Currency Committee and its staff members, as well as representatives of financial institution associations, have worked hard to clear some bills for floor action. However, hearings on increasing flexibility for financial institutions disclosed several points of basic disagreement among not only the institutions involved, but among the federal agencies regulating them.

The seven bills covered in these hearings would liberalize restrictions on national banks in loans on

real estate, loans to single borrowers, loans on forest tracts; permit national banks to deal in and underwrite state and local government revenue bonds; permit federal savings and loans to invest in state and local government bonds, make college education loans, and loans on certain consumer durables.

### FOREIGN TRADE

An overhauling of the international payments system to produce more liquidity may be expected over the next five years. International liquidity is a term used to describe the total of individual countries' reserves of gold and foreign exchange, plus their access to international credit.

The concept that this total must rise to keep trade flowing and the world economy generally prosperous prompted steps taken recently by members of the International Monetary Fund to institute a long-range study of the problem.

Increased liquidity in recent years resulted from dollars and gold which the United States has pumped into the reserves of other nations. If the resulting deficit in the U. S. balance of payments account is to be eliminated, the general problem of liquidity when the deficit ceases must be faced.

### GOVERNMENT SPENDING

Normally, the administration's midyear budget review would have



# Chamber of Commerce of the United States

been issued by now. This document details congressional actions on the President's budget proposals and, if necessary, revises estimates as to revenues and expenditures and their effect on the national debt.

This year, Congress, reflecting the economy sentiments of constituents, has yet to vote money for many federal agencies.

The fiscal year will soon be half over, yet many agencies are still operating on funds provided by a resolution making stopgap appropriations for fiscal 1964. Briefly, this provides funds for continuing operations conducted in the previous fiscal year, but at a rate that will permit increases in these operations.

Chairman Clarence Cannon of the House Appropriations Committee believes that, contrary to the old truism that, "the longer Congress stays in session, the more it costs the Treasury," here is a situation where the longer the various appropriation bills are delayed the more possibility there will be for further reducing them.

With the Administration pressuring for a tax bill this year, Congress is likely to cut the budget requests by more than \$5.4 billion, according to Mr. Cannon.

## LABOR

The first step to divest the National Labor Relations Board of its authority to hear unfair labor practice cases has been taken in a bill by Rep. Phil M. Landrum, Democrat of Georgia. Mr. Landrum was co-author of the 1959 labor reform law and is a veteran member of the House Education and Labor committee.

The Landrum bill would permit the federal courts to handle all unfair labor practice charges and limit the NLRB to conducting union representation elections.

Although no action is expected in this Congress, the Landrum bill offers a procedure for ending the political decisions of the board.

A by-product of the new bill would be a reduction in federal spending. Each of the five NLRB members has nearly a score of law-

yers on his individual staff to help him write decisions. Hundreds of employes would be unnecessary under the bill.

## MARKETING

Merchants whose business is local rather than interstate might look ahead to the prospects for tighter state controls over advertising practices.

New York state recently put into operation a law aimed at preventing "advertising, including labeling, which is misleading in a material respect."

It applies not only to what is said, but also to what isn't said; failure to reveal "material" facts may provoke a false advertising charge.

The state statute will supplement the jurisdiction of the Federal Trade Commission, which can level false advertising charges only at companies engaged in interstate commerce. Smaller retailers, as well as local service industries, will come within the state law.

Legislation similar to the New York law is likely to be initiated in other states.

## NATURAL RESOURCES

Federal efforts to control and abate water pollution will gain new status and impetus if legislative proposals now pending in Congress are enacted.

An important part of the various proposals is the establishment of a new agency within the Department of Health, Education and Welfare. This agency, with its own administrator, would be responsible for administering the federal water pollution laws. At the moment the Public Health Service has this responsibility.

Advocates of the separate agency will argue that the Public Health Service is not giving sufficient emphasis to water pollution activity. Many contend that water pollution is of such importance that it deserves special attention.

Regardless of the legislative outcome, business and industry can expect increased federal activity in the field of water pollution. The

only question seems to be to what degree.

## TAXATION

The House-passed tax bill now before the Senate Finance Committee is a good one. It could be better. Witnesses will point out to the Committee many areas where improvement should be made.

Certain sections of the bill, such as repeal of the dividend credit, should be eliminated. It has been stated that the combination of the rate changes and the structural changes will result in greater progressivity in the individual tax rate structure. However, because of the overriding need for tax-rate reduction the bill should not be placed in jeopardy simply because it is not perfect.

Attempts will be made by some senators to tack pet tax proposals to the bill. Most of these will be brushed aside. However, a bill by Senator Long, Democrat of Louisiana, intended to relieve some of the burden in expense account record-keeping has strong backing. Chances of this bill becoming a part of the major tax bill are improving.

## TRANSPORTATION

Although there are many problems yet to be overcome in containerized transportation, future giant strides and growth appear to be inevitable.

During the past few years, progress in the field of containerization, including piggyback operations, has been highly significant. Containerization is presently benefiting each mode of transportation, including railroads, airlines, water carriers, truckers, and freight forwarders. It is also encouraging coordination among the modes with the end result being improved service for shippers across the country.

The history of containerized freight is long. Problems of standards, labor, equipment costs, and government regulation have been formidable. Savings resulting from the use of containers, however, have provided a potent force in spurring carriers and shippers to overcome these difficulties.



our potential. This period has been characterized by a decided lag in investment.

Our question is whether there are cogent reasons for believing that this lag is about to end.

If so, we will have the basis for rapid productivity gains and also a basis for perhaps reducing some of the present unemployment.

**Mr. Fabricant:** What factors are important in this connection?

**Mr. Butler:** There are two. One is the level of capacity in relation to demand. The other is the rate of profit.

I have a theory that there is a certain rate of profit which calls forth the rate of capital investment required for growth and prosperity. If the economy for one reason or another does not produce that rate of profit, then you have sluggish growth and unemployment.

At the moment, the rate of profit is still somewhat below what will be required to generate the rise in capital investment needed for full prosperity.

This is why tax reduction is very important.

A cut in the corporate tax to 48 per cent would tend to push the rate of profit on capital to a point where you would see a good rise in capital investment.

**Mr. Fabricant:** These rather optimistic projections of growth do assume there will be a corporate tax cut of the kind now being considered in Congress. But the personal income tax also has a direct bearing on the question of consumption which generates markets and induces investment.

**Mr. Goodrich:** Will demand be there to take the potential expansion in production? That is indeed a key question.

The potential growth of consumer demand, given an adequate purchasing power and financial strength, is great indeed. The potential is much larger than is often assumed because the present consumption level is well below what the average family would like.

I am in favor of a tax cut with the reservation that many businessmen and conservatives make: There should be a slowdown of federal expenditures.

I favor a tax cut because I believe government expenditures will not increase as rapidly if we have a tax cut. There will be pressure against

higher government expenditures. Furthermore, we will have a stimulus from another source and, therefore, not have the same pressure for higher government expenditures.

**Mr. Fabricant:** A stimulus which many people, not only businessmen, would argue is preferable, a more efficient way of getting growth.

The optimistic growth projections are based on assumptions that output per man-hour will rise at a rate of 2.5 or three per cent a year. Does this seem reasonable?

**Mr. Everett:** It is entirely reasonable. There is a sufficiently high profit prospect for the investment to make this possible.

**Mr. Lipkowitz:** Isn't one of the big factors how much of the unused capacity is unusable and requires either modernization or replacement? If we are going to use our ability to produce reasonably, some of our plant has to be beefed up, made more efficient.

**Mr. Butler:** There are a lot of things working toward increased productivity.

We have a better educated labor force now.

We have put massive sums into research and development. To be sure, a lot of this has gone the military route, but a lot has gone into straight industrial research and development.

There is a lag of 10 to 12 years between the initiation of research and the time the new product or machine is put to use, so we should just now be getting the benefits of the upsurge that started after the Korean war.

But most of these things require new machines, new plants, new equipment of one sort or another. And you need the profit incentive to make this work.

We are not far from the point where we could see a strong upsurge in capital investment based in part on the products of research and development, part on the fact that investment has lagged for a considerable period of years. It wouldn't take much change to get this moving again. The tax bill might well be the thing.

**Mr. Goodrich:** I support the view that the prospect of expansion in capital spending is promising.

Profitability is very important. The over-all profit trend in the past few years has been encouraging.

If one looks at the reported prof-

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## OUTLOOK

*continued*

its, and at the much more adequate depreciation figures—granting that you need more depreciation every year as your plant and costs grow—there is a tendency for profit margins to expand a little after the many years when there was a definite squeeze.

**Mr. Fabricant:** Is this more than just a little bulge on the flat line?

**Mr. Goodrich:** I am inclined to think the decline has stopped unless there are some great political or social changes.

How much it will rise is another question.

**Mr. Ulin:** I also think profit margins have again begun to widen a little, to become more normal, and this is perhaps the most important factor in the outlook for investment.

However, there are still numerous uncertainties—particularly the government's attitude toward price increases—which may be necessary to widen profit margins significantly. It is encouraging that—by contrast to its action on a previous occasion—the Administration did not publicly attack the steel companies on recent price increases.

**Mr. Fabricant:** Are you saying that one of the assumptions basic to this prospective growth is a decent, reasonable climate within which businessmen can do the job they are supposed to do, which is to try to make money and, in the course of doing so, make goods and services available to the people?

**Mr. Ulin:** Yes. A climate in which the making of profits is positively encouraged.

**Mr. Lipkowitz:** There has been some progress since last year.

The government is pointing in the direction of a better climate for promoting a profitable situation, particularly where the balance of payments is involved, as in its export drive.

There is some room for hope that we can make progress toward more positive government-business relationship here, the kind that exists in Western Europe, in Canada, in many other countries.

**Mr. Everett:** We certainly have at the moment an Administration that



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## OUTLOOK

*continued*

believes in a greater degree of involvement of government in business.

Some of this has been useful, desirable, from a business point of view.

For example, proposing the cutting of corporate income taxes, which was not expected a couple of years ago. On the other hand, the argument with the steel industry was decidedly negative.

**Mr. Ulin:** I am not raising the question whether business feels it is liked or not liked in Washington; I



**Robert P. Ulin**  
*Socony Mobil Oil Company*

am raising the question of uncertainty affecting investment decisions.

Such uncertainties exist not only with regard to tax rates, but in many areas of pricing and antitrust policy.

These things do affect business, and they are not a matter of sentiment.

Incidentally, I hope American business will not come to have the relationship with government that exists in most European countries which results in something called *plannification*.

I regard this as a combination of monopoly and regulation and as something to be avoided.

**Mr. Lipkowitz:** It isn't a question of whether you have a relationship, but what kind of relationship you have.

For example, in the international field, no businessman, no matter what he would like the situation to





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## OUTLOOK

continued

be, can really operate completely apart from government policy.

I agree that we don't want the kind of thing they have in France now where, in the name of planning, they have price control.

Here in the U. S., where their role is more limited, it is a question of whether government officials have a knowledge of the actual, practical problems of business and whether they can be helpful or obstructive.

**Mr. Goodrich:** There is inevitably involvement, but it makes a great difference whether the government is encouraging business through incentives or whether it is trying to control the situation through more restriction.

**Mr. Fabricant:** We have been assuming that there will be a tax cut. A very real question is what will happen in the middle 1960's if there is no tax cut.

**Mr. Everett:** A recent survey indicates that the best economists, in general, think the effects of a tax cut would be very noticeable.

**Mr. Lipkowitz:** Hasn't the tax cut become more than something we can convert into a statistic?

It could have many times the effect or the impact of the dollars involved.

**Mr. Fabricant:** Yes. There are all kinds of direct and indirect effects, direct effects on profit prospects, indirect effects on the whole atmosphere of business within which men calculate their profit prospects. They would be more optimistic. They will see new opportunities they may not see now.

**Mr. Everett:** If there were no tax cut next year, what would be the difference be?

In the opinion of most business economists there would be a serious decline.

**Mr. Fabricant:** In other words, if there weren't a tax cut, there would be a considerable amount of disappointment.

**Mr. Everett:** There probably would be a recession.

(Turn next page for OUTLOOK, Section 2)



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# Nation's Business OUTLOOK SYMPOSIUM

## 2. *Why future recessions will be mild*

**Mr. Fabricant:** This brings us to another question which we haven't really tackled. What is the prospect of a recession during the next three years and, if we have one, how severe do you think it will be?

**Mr. Ulin:** In general, I expect a period of rather sustained and vigorous expansion of the economy over the next several years. And while we will surely have some inventory recessions and other imbalances in the economy, I would look for such recessions during the next several years to be relatively mild.

**Mr. Butler:** To the extent that moderation of the inventory front continues, it is hard to see much in the way of recessions.

But we will probably see a return to something more like the past inventory pattern of build-ups in periods when there are expectations of some price increases and some supply shortages, followed by inventory adjustments—this along with other things that cause dips.

We have not repealed the business cycle by any action that has been taken.

**Mr. Everett:** Or proposed.

**Mr. Butler:** Or will be taken in this period.

**Mr. Fabricant:** Or can sensibly be taken.

**Mr. Butler:** On the other hand, it

does seem to me that you can count on any recession being moderate. The built-in stabilizers work. Government is likely to spend more in a recession period. Various changes in our economy moderate recessions pretty effectively. The money supply doesn't decline, and income doesn't decline.

**Mr. Goodrich:** Over the next few years, we are likely to have an expansion. It could be a pretty good rate of expansion. And during this period, the recessions could be exceedingly minor.

There may be a period in the next couple of years when there will be a minor recession or slowdown associated with inventories or consumers.

**Mr. Ulin:** The tax cut will be helpful, but it is important that we not regard the present bill as the end of the tax matter. Continued structural tax reform is one of our major tasks for the next three to five years if we are going to have sustained economic growth.

Furthermore, there is going to be a task to be carried out at the









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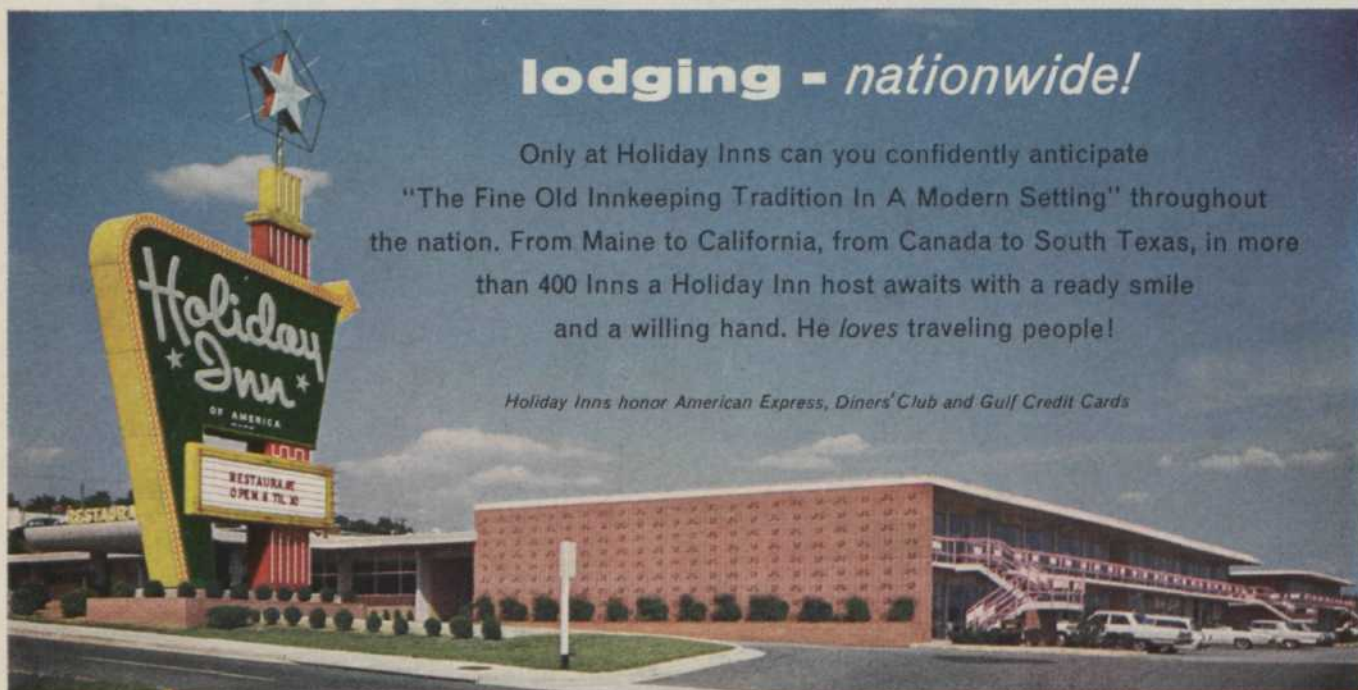
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## OUTLOOK

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state and local level, as well as the federal, because state and local taxation has been rising rapidly. The economy will not obtain the full impact of the federal tax reduction because state and local taxes are rising.

So one of the really big challenges, if we are going to make the economy grow, is the further reduction and rationalization and integration of these various tax structures.

**Mr. Butler:** I agree. We have been doing some work recently, looking ahead at government. When you look at state and local expenditures and the factors influencing these expenditures, you cannot escape the conclusion that they will go on rising at least to 1970 at about the same rate of the past five or 10 years, which has been very rapid. And if we are going to meet the needs of a growing population for better roads, schools, and other such facilities, we have to expand state and local expenditures at least as rapidly as they have been rising.

Now, state and local taxes have much less elasticity than federal taxes. If we allow federal expenditures to rise in line with federal receipts and pile state and local spending on top of that, we get a rise in government which at least gives one pause.

A desirable thing would be to try to hold the rise in federal expenditures to less than the rise in the total economy. Since federal receipts rise more rapidly than the economy, we could every few years cut federal taxes enough to ease the fiscal problem of state and local governments and beyond that stimulate both investment and consumption in the private economy. As a sort of strategy for the future, this strikes me as desirable.

This would tend to hold the total share of government—federal, state, and local—at something like its present share. Perhaps it would be even a bit greater in 10 years, but not as much greater as if you continue this tremendous rise in federal spending.

There is a broader problem: What our national economic policies in general are likely to be in the period ahead. Are they likely to be more propitious in supporting growth and expansion than in the past?

One of the big questions at the moment is whether we can deal

with the balance of payments problem, which is most serious, and do so without terribly restrictive monetary and fiscal policies of a sort which contribute to a lag in growth.

**Mr. Fabricant:** How can that be done?

**Mr. Butler:** In general, the approach that is being followed is about what one would recommend, although I would like to see more of a tax cut quicker to allow greater freedom for monetary policy. So long as our interest-rate structure is lower than that of the rest of the world, we are going to have a balance of payments problem.

I hope that a more rapid expansion in business would tend to help exports more than it would imports, although that is debatable. I would try to work out the balance of payments problem generally through policies of expanding our exports, our earnings, and so forth rather than policies of restriction, which are difficult not only for us, but for many of our allies.

**Mr. Fabricant:** Would you say that developments abroad favor improvement in our international trading position?

**Mr. Butler:** It seems to me they must work in that direction.

We now face the question whether the western world is going to have a general inflationary trend in the future or general price stability.

If Europe succeeds in checking its inflation without interfering with European economic advance, then we must keep our prices stable.

**Mr. Goodrich:** I doubt if Europe will succeed in avoiding inflation over the next few years, although they could well succeed in moderating what they have had in the past two or three years and probably will.

Over the next few years European production costs will rise somewhat more rapidly than ours. However, this would help our balance of payments problem in a slow and minor way over a three- or four-year period, although it is working in the right direction.

**Mr. Butler:** It is bound to be slow because prices of international commodities are set in world markets. So the adjustment works through making exports relatively less profitable, shifting of resources toward domestic markets.

**Mr. Goodrich:** A tax reduction and



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*Keith S. McHugh*

Keith S. McHugh, Commissioner  
New York State Department of Commerce

## OUTLOOK

*continued*

more active business, higher interest rates, plus more attractive business opportunities in this country—all should probably have more effect on the balance of payments problem than anything else could, in the next two or three or four years.

**Mr. Fabricant:** If we had a free enough world economy, would some of these problems be less important?

**Mr. Butler:** They would be. On the other hand, it would take a lot of time to change patterns of trade. We give small amounts of aid to many countries that trade heavily with Europe. In many cases, the aid works out to less than 25 cents per capita per year, which by definition means it doesn't accomplish much.

But, in total, it involves con-

Western Europe and the United States.

**Mr. Fabricant:** If we had improvement in general world conditions and freer world trade, would we conceivably do even better than the projections suggest?

**Mr. Goodrich:** There would be a real potential because there would be a wider scope for private investment, although presumably there would be also less government aid.

Underdeveloped countries would have more opportunity to become developed more rapidly and, therefore, there would be a great opportunity for our businesses to sell more.

More to the point is the potential increase in interest rates which may come over the next year in response to the balance of payments problem and potentially greater business, particularly with the tax reduction.



Irving Lipkowitz, Reynolds Metals Company

siderable drain on our balance of payments.

This we have to reduce. Also the massive drain involved in overseas military expenditures.

**Mr. Ulin:** Payments would come into balance in a world that was based on free trade and free capital movements.

It is not possible today to visualize free capital movement out of the less-developed countries in the sense of paying for their investment goods or even their food. We have, in effect, one-way free trade or one-way aid with that part of the world, but quite a bit could be done by having freer trade and freer movement of capital between

I feel that any reasonable increase in interest rates would not have a significant slowing down effect on business expansion.

**Mr. Fabricant:** None of us is so optimistic as to expect any important move toward disarmament in the few years that we are looking ahead, but it would be worth while to consider whether business needs to fear the effects of any important degree of disarmament.

**Mr. Everett:** It would be the substitution of a lesser fear for a greater one.

**Mr. Ulin:** We have the example of the post-Korean semidisarmament



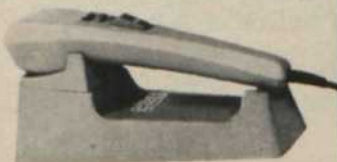


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## OUTLOOK

*continued*

to go by. This was followed by the greatest business boom we had in the postwar period.

If we reduce taxes proportionately, we would unleash more business activity than is being generated by the arms program.

**Mr. Lipkowitz:** Isn't the question not whether it is done, but how it is done?



**Solomon Fabricant**, *National Bureau of Economic Research and New York University*

**Mr. Butler:** It depends on the pace at which defense was to be cut. If it were chopped off suddenly, we would have very difficult problems, in part because I doubt if we would be willing to cut taxes as fast and as much as we would need to cut them.

A reasonable tapering off could be accommodated, and I would say over-all that peace is bullish. You have to look at it that way.

*(Turn next page for OUTLOOK, Section 3)*



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# Nation's Business OUTLOOK SYMPOSIUM

## 3. *What challenges lie ahead*



**Mr. Goodrich:** Looking further down the line, we have been living with certain things in our present economy that could build up trouble.

Furthermore, there are the possibilities of a change in government or possibly of international conditions having repercussions on us.

Number one, the increase in wage rates, while it has been well absorbed by those industries that are best able to increase productivity, has not been absorbed by other industries.

When you have wage increases that are beyond the national productivity gain, you have over-all inflation. You really have an increase in the price level even if

the wholesale commodity prices don't show it.

There are always going to be changes. But these changes are sharper. They fall upon people with fixed income in a sharper fashion. They affect the cost of local government and, therefore, the pressure for higher local taxes.

The second point is that private debt has increased since the war and in the next few years will be increasing more. There has been a notable rise in mortgage and consumer debt. The mortgage side has been larger and has been increasing at a rate definitely faster than total business activity. This is also true of state, municipal, and federal debt since the war.

I do not see anything in this picture today to cause any real concern for the next 12 months, or 24 months, or perhaps for several years. But at some point, I do not believe that the amount of private debt can continue to increase more rapidly than the total economy . . .

**Mr. Fabricant:** . . . without causing deterioration in quality of the debt? Isn't this one of the things bothering you?

**Mr. Goodrich:** The quality of debt is definitely the major factor that would tend to bring the progress to a halt, both through the concern of lenders and also because





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## OUTLOOK

*continued*

individuals and families themselves would feel they could not take on additional debt.

The balance of payments problem is likely to continue with us, although a shift in capital flow, if we had just the right mix, could bring improvement.

I do not see this as being as great a problem for the next 12 or 18 months as many think because there may be some improvement. There is unlikely to be great pressure brought against the dollar by the governments which are in a strong position with dollar reserves. The dollar is backed by greater productivity, greater military strength, our key position in the free world.

And yet, again, looking further down the line, you could get a combination of problems, specifically the increase in private debt, the position of the governmental budgetary policy as the political trends might affect it at that time, plus the balance of payments, which could give you a temporary crisis in the monetary means for translating the almost inexhaustible human demand for production of goods and services.

**Mr. Butler:** We have a problem of continuously adapting our financial structure, and I worry sometimes whether we are adapting rapidly enough to the new conditions that exist. I hope that we make better progress in the years ahead.

The quality of credit is always something to worry about.

Taking a broader view, we have a financial structure that is an awful lot better than ever before.

**Mr. Fabricant:** One of the questions that people will have in their minds is the implication of the projected future growth on the stock market. What do you think?

**Mr. Butler:** It might eventually validate the present market level.

**Mr. Goodrich:** There are always cross-currents, and none of us wishes to put his neck out too far predicting the stock market, but the strengths we have seen in the past few years in the economy and business—profits, dividends, the financial position of corporations and their cash flows—are tending to gain a little more rapidly than reported earnings.

The expectation of growth, which in the long run sometime might prove to be wrong for a period of time; the assumption that we would not have serious recessions; plus the belief that we will continue to have a degree of inflation—all of these suggest that we will continue to have relatively high multiples of stock prices to earnings and common stock yields that are lower than bond yields.

So, believing that the next two or three years in business are likely to be good, I expect that the stock market as an average, recognizing the wide variation between industries and particular companies, will do pretty well until such time as investors one way or another see a real change.

**Mr. Butler:** The market is very high by historic standards.

I would be disturbed if it went much higher, if it rose much more than earnings in the next few years.

**Mr. Goodrich:** I think if the market would rise as much as earnings rise, this would be the ideal.

In fact, looking ahead a few years, if you had a real stock market boom with multiples again



**Frederick N. Goodrich**  
U. S. Trust Company of New York

rising quite a lot in relation to earnings, this could be a factor, along with others, in bringing the growth period to a sudden end. But there is time enough to worry about that when it actually occurs.

**Mr. Fabricant:** We have been talking about broad trends. It is an historic fact that what happens in an individual industry and even



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## OUTLOOK

*continued*

more so in an individual firm depends, not only on what is happening to the economy at large, but what is happening in that industry and in that particular area and what the businessmen immediately involved are doing, how energetic they are, how enterprising, how much initiative they have.

I think this is one of the factors businessmen need to keep in mind as they look ahead.

**Mr. Lipkowitz:** One of the elements which make that increasingly important is that more and more industries are operating now in an international market instead of just the national market.

**Mr. Goodrich:** The capital goods industry, broadly speaking, should do better and show greater growth over the next few years.

Certainly, one of the ways to determine which industry will do well in the way of profits would be how easily the supply in that industry can be expanded. And, of course, the international part of the picture would be an important factor in that. There are some industries where total productive capacity can be expanded fairly easily and quickly and others not. So there would be wide variations in the increases in profits.

**Mr. Butler:** I hope we can push the Common Market toward freer trade rapidly enough that we could afford to live economically with it.

The costs of the Common Market in economic terms look a lot higher now than they did back in the days we decided it was a fine thing in political terms.

**Mr. Everett:** This comes under the heading of challenges and opportunities rather than golden promise in the mid-1960's.

**Mr. Butler:** I should like to mention one other favorable factor underlying the prospect for business growth. This is a revolution in management techniques in this country. Almost in a decade, really, apart from the use of computers that we are just getting into, there has been a tremendous stress on learning how to run business much better than we ran it in the past.

The early stages of this brought a sharp increase in overhead, which

was a factor responsible for some of the profit squeeze we had, but the longer term implications must be exceedingly favorable to growth.

A part of this is the tremendous search for talent that is going on now, the tremendous effort to identify the people who have the talents required to run business efficiently in all its aspects, and finding these people, training them for the jobs of the future. All of this is important in terms of our future growth.

**Mr. Fabricant:** There are promises, and there are also challenges and problems. There is a job to be done.

I think there is a feeling of optimism that if the right job is done by businessmen, by government, and by others, prosperity for people in the United States and pros-



Richard W. Everett  
Continental Can Company

perity in the rest of the world is something that is a reasonable hope and expectation. **END**

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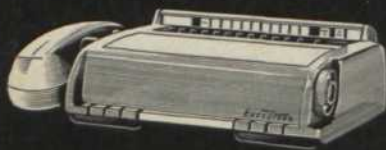


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## UNIONS' MACHINE

continued from page 37

educating working people on political issues and encouraging them to participate fully in political activity," he told NATION'S BUSINESS.

"COPE activity has been good for the country and I welcome its efforts just as I welcome political activity by any group which encourages more participation in the electoral process of this country."

Michigan, base of Walter Reuther's United Automobile Workers, usually is cited as an example of how unionists dominate Democratic politics in many parts of the country.

The Democratic National Committeewoman from Michigan is Mrs. Mildred Jeffrey, the UAW's director of community relations. The union's recreation director, Olga Madar, is a member of the Democratic State Central Committee. Other UAW officials and members serve in lesser posts.

According to a legislative representative for management, a majority of delegates to the State Democratic Convention are unionists, "but they are careful not to overload the top posts with union people."

Union leaders are a familiar sight at national Democratic conventions. The Los Angeles convention in 1960 included 111 unionists as delegates from 36 states.

Candidates who have COPE support usually praise the organization.

Rep. Fred B. Rooney, Democrat, elected three months ago in a special election in Pennsylvania's Fifteenth District, says the union organization played "a very effective part in my victory." He particularly stresses the squadrons of telephone workers it organized to get out the vote on election day.

"Support from a strong and respected organization always helps," freshman Sen. Birch Bayh, Indiana Democrat, says of COPE's part in his upset victory over the veteran incumbent, Homer E. Capehart. "The real strength of its support is that you have thousands of individuals willing to work for you who feel as you do."

### COPE tactics

Major union political activities, such as voter registration, education, fund-raising, distribution of voting records, raising and contributing money to endorsed candidates, and getting out the vote, are fairly well known.

Not so well known are some of the tactics used in carrying out these activities.

Senator Smith asserts that COPE contributed more money, \$12,500, to her opponent, Miss Lucia Cormier, in an attempt to defeat her than it spent in all other Senate races in New England.

She feels that this, combined with an intensive door-to-door campaign, was an unfair concentration of resources in an attempt to defeat her, particularly since her 80 per cent "right" voting record was higher than the percentages of two Democratic candidates, Sen. Clinton P. Anderson of New Mexico and the late Sen. Estes Kefauver of Tennessee, both of whom had union backing.

Jack Mills feels that the union political machine's biggest assets are its access to flexible manpower and plentiful funds.

"They can call on and control thousands of union stewards and other officials," the Republican campaign strategist says. "They can take them off their jobs and pay them for political work, which is a big help on election day."

"They can shift their best men around to different parts of the country, where elections are closer or more important."

"We would have defeated Mr. Rooney in the special election in Bethlehem, Pa., if it were not for COPE. The Democratic organization there was bankrupt. The union organization brought in key men from as far away as California to help assure a Democratic victory."

COPE admits it sent help to Bethlehem, but pleads it was able to do this only because no other elections were going on at the time. Saving the seat held by the late Francis E. Walter for more than 30 years was especially important to Democrats because they had lost two seats to Republicans in special elections in California earlier in the year. A third loss would have been damaging to Democratic morale and hopes for 1964.

The union political machine utilizes polling and other research by experts to evaluate a candidate and pinpoint his strength and weaknesses. Until recently it was using the services of Pollster Louis Harris.

A study in depth was made in Akron, Ohio, to try to find out how Rep. William H. Ayres, conservative Republican, keeps getting re-elected in that industrial city, headquarters of the Rubber Workers and Chemical Workers unions. It was

(continued on page 70)





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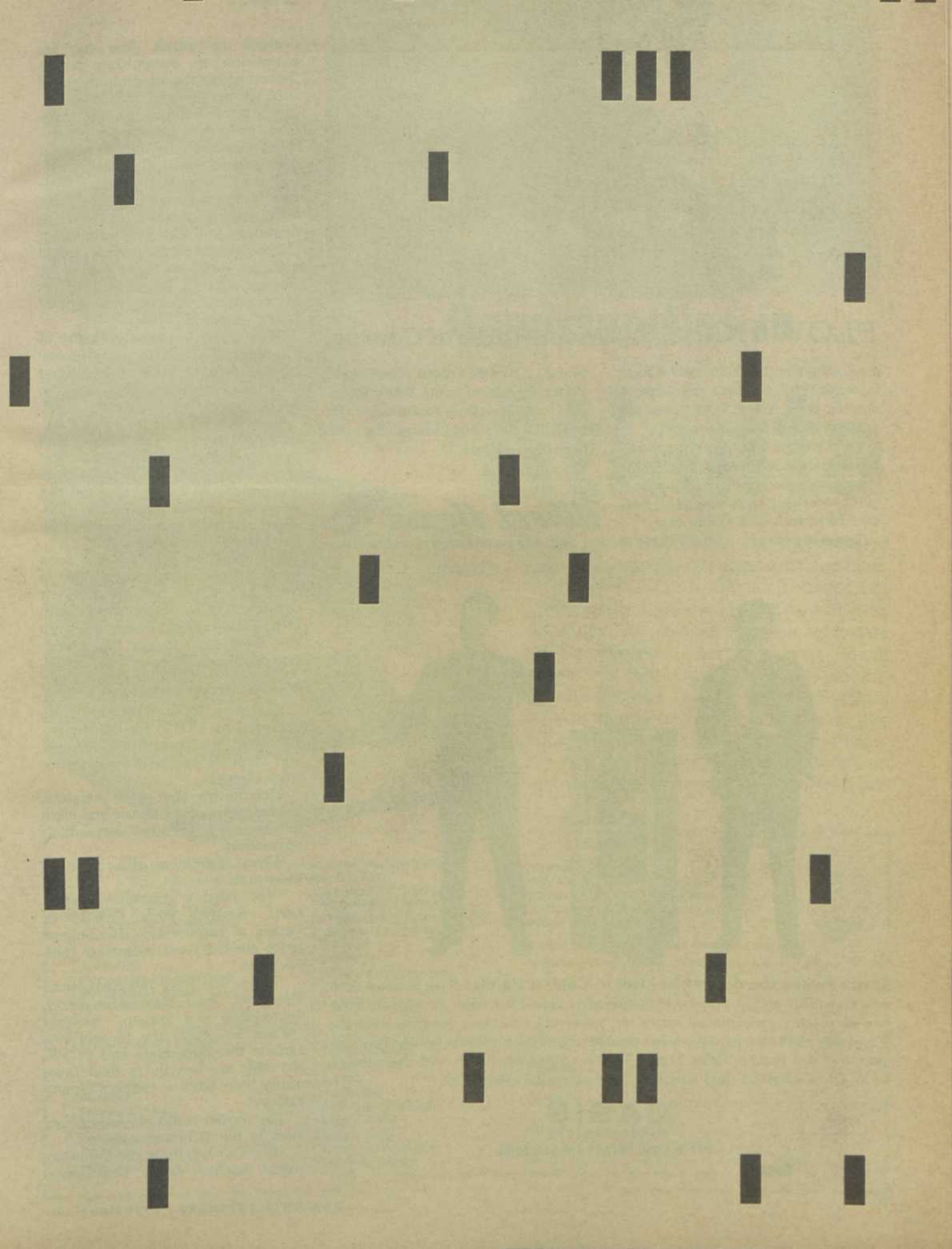
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## UNIONS' MACHINE

*continued*

decided to attack him for his opposition to compulsory health insurance for the aged under social security and federal aid to education. Although Representative Ayres won re-election, his margin was reduced considerably below what it had been in recent elections.

When Richard J. Hughes was running for governor of New Jersey with COPE support in 1961, it financed a poll which indicated that, although most of the voters agreed with his stand on major issues, he was not as well known to them as his opponent, former Secretary of Labor James P. Mitchell.

This called for more exposure of Candidate Hughes to more voters. More campaign funds were shifted to television appearances, and he was elected.

Sen. Len B. Jordan, former Republican governor of Idaho, who was appointed to the Senate last year, says union political workers concentrate on voters who are not strongly partisan and easily influenced and who are not reached by the partisan candidates.

The Senator says he has seen workers from as far away as Akron come into Idaho and discuss their candidate with local citizens "with great familiarity, urging them to vote for him, as if they had known him for years."

### Winners reveal techniques

Last year 20 out of 29 candidates endorsed by COPE for the Senate, 193 of 334 endorsed for the House, and 16 of 24 endorsed for governor were elected.

This means that nine senators, 141 members of the House and eight governors were elected over labor's opposition.

What techniques did some of them use?

"You need a counter organization," suggests Rep. Donald C. Bruce, a conservative Republican twice elected from industrial Indianapolis.

"When you have the Republican Party vs. the Democratic Party, an election is a toss-up," he says. "When you have the Republicans against the Democrats and COPE, the odds are heavily in their favor unless you have a counter organization."

The former radio executive's answer is the Bruce Committee.

"It does everything the union political machine does," Representa-





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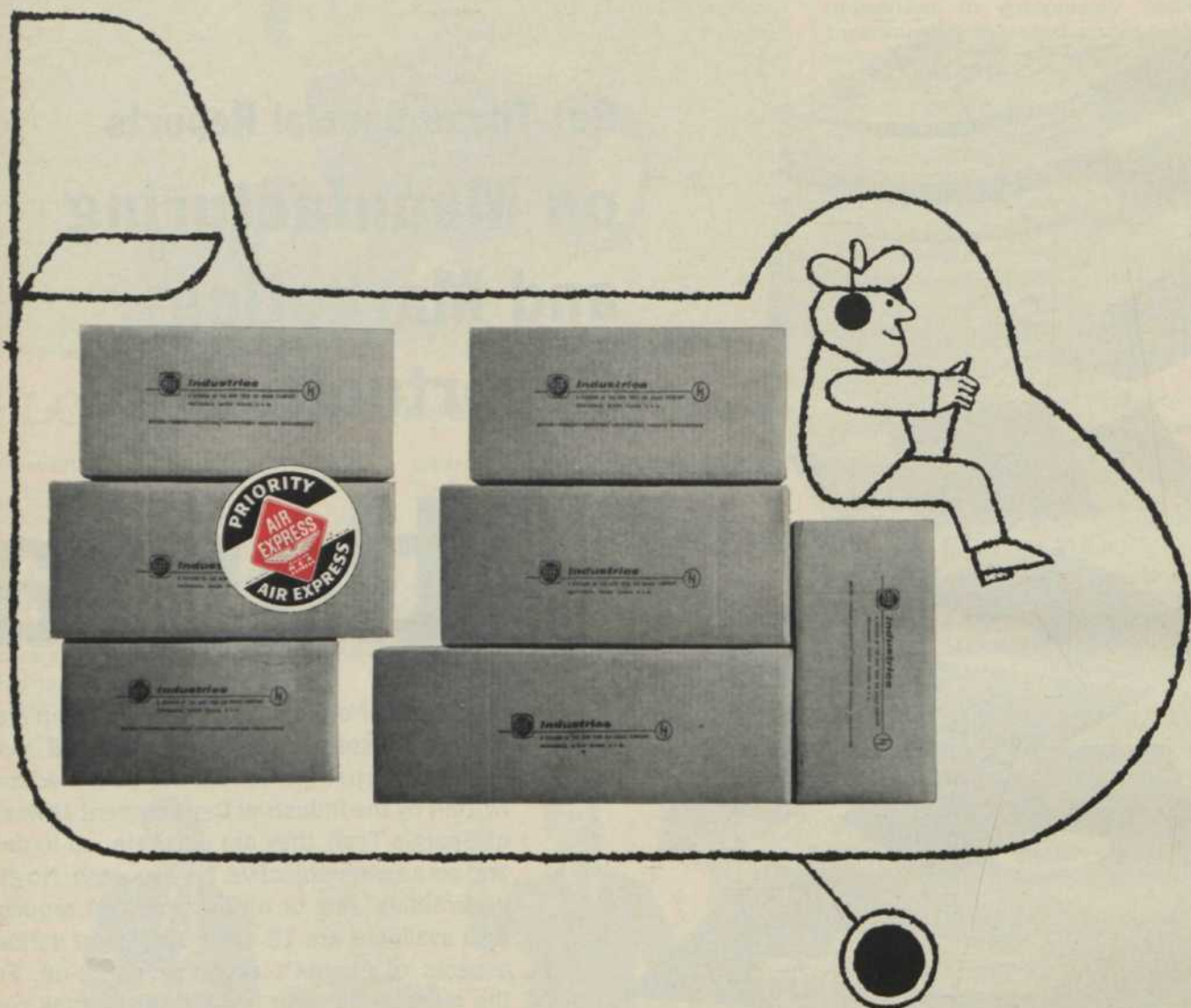
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## UNIONS' MACHINE

*continued*

tive Bruce points out. "Polls people, registers voters, gets them out to vote. It's a year-round organization of thousands of individuals—all volunteers."

Sen. Milward Lee Simpson won election as Republican senator from Wyoming by campaigning in labor areas and showing the gains that had accrued to labor in Wyoming under conservative Republican administrations.

"We have always had harmonious labor relations," Senator Simpson points out. "The crux of our approach regarding COPE opposition was to carry the fight directly to the workingman, to avoid the defensive, take the initiative, and sell the positive approach."

Representative Ayres says the union organization makes a mistake in selecting the issues on which it will judge candidates.

"They select the issues which Republicans vote against," he says. "This makes the Republicans look wrong."

"I work up my own list which shows me to be 100 per cent right and COPE to be 100 per cent wrong. These are on issues which appeal to my constituents, such as increased compensation for war veterans, and vocational education."

"They are ineffective," Representative Ayres concludes, "where the opponent takes them head-on and shows that their bare evaluation of a congressman is only a small part of the real effectiveness of a member of Congress."

### How COPE sees itself

The AFL-CIO views its political activities as simply an extension of the citizenship participation of its members, that the more the average citizen participates the more representative our government will be.

Mr. Meany says that organized labor was forced into politics by businessmen who shifted their attack on unions from the bargaining table and picket lines to the legislative halls.

"Labor is going to be just as political as it has to be to carry out its objectives," he vows. "I still say that we don't need our own political party. But if we come to the point where we need one to combat those people who want to drag us back into the past, we will start a political party, and we will do a good job of it."

Mr. Barkan, who succeeded the late James P. McDevitt as COPE boss, believes in what he calls the "organizational approach"—that is manpower, hard work, and money.

"Resolutions, press releases and convention oratory don't make for political victories," he told NATION'S BUSINESS.

He believes the union political organization is getting more effective every year and finding it more difficult to find Republicans it can endorse.

"We'd like to endorse more Republicans, but we're not going to endorse a Republican just for the sake of showing that we are bipartisan," he says.

The union machine is assuming that Sen. Barry Goldwater of Arizona will be the Republican nominee, and already is attacking his record and right-wing supporters.

"Our big campaign issue will be the right-wing—the ultra-conservative organizations which represent an un-American threat and evil force in politics that should be exposed," Mr. Barkan says.

"We hope and encourage our units to find liberal Republicans to endorse. But each year we have fewer and fewer of them. They can't continue to vote antilabor and expect our support."

In the last year's general election COPE supported one Republican candidate for the U. S. Senate, Sen. George D. Aiken of Vermont; one for governor, Gov. Robert E. Smylie, of Idaho, and four candidates for the House, William T. Cahill of New Jersey and Seymour Halpern, John V. Lindsay, and Paul Fino of New York, all winners, and Robert T. Conner of New York, who lost.

The union organization also claims to have endorsed 162 Republican candidates for state legislatures, three for state supreme court, and one each for state treasurer, attorney general, land commissioner, university regent, county levy court, and commissioner.

Next year COPE naturally will concentrate in the congressional elections on Senate and House races which figure to be close, and where its effectiveness may be the difference between victory and defeat.

In the Senate there are seven Democratic and six Republican seats up next year which were won with less than 55 per cent of the vote, and three more (two Democratic, one Republican) held by incumbents who were appointed.

In the House there are 41 marginal seats held by Democrats and 38 held by Republicans. **END**



# What's back of fight over ARA

## Controversial agency uses taxpayer funds to create a demand for more

WHATEVER the New Frontier has done for employment generally, it has solved the unemployment problems for dozens of economists, financial technicians, and technical research experts.

So says an economist who ran a year-long Ford Foundation study of the Area Redevelopment Administration, the federal agency trying to treat chronic unemployment with easy money and advice from Washington.

The effort has created work for the new agency itself, for employees of other departments working with it, and for a zealous ARA sales force whose promotional successes are credited with creating demand for much more in low-cost federal loans than Congress authorized.

A close look at the two-year-old agency—some of its policies, procedures, and people—is in order as it seeks to expand operations amid national debate over its performance.

To compose a picture of the agency, *NATION'S BUSINESS* went to sources within and outside of government, including Harold L. Williams, deputy administrator of ARA, and Dr. Sar Levitan, of The George Washington University, who heads the \$57,000 Ford Foundation study.

What emerges helps to explain why Dr. Levitan, a long-time supporter of depressed-area legislation, is often critical of the agency, and why even Deputy Administrator Williams says government should move very cautiously before launching itself much deeper into redevelopment efforts.

ARA has its roots in the Employment Act of 1946, which declared it a responsibility of the national government to pursue policies tending to stimulate economic growth and full employment.

It took considerable footwork, Dr. Levitan points out, to jump from that essentially passive role of government to a program authorizing \$200 million in commercial and industrial loans, \$100 million in other loans and \$75 million in grants for public facilities, \$4.5 million in technical assistance, \$10 million for job trainees, and \$4.5 million for their training.

The agency is headed by Redevelopment Administrator William L. Batt, Jr.

A dedicated New Dealer impressed with President Roosevelt's depression-born welfare programs, Mr. Batt began his career on graduation from Harvard as a staff member with the Temporary National Economic Committee.

In the years since, his career has included a staff post with then Lend-Lease Administrator W. Averell Harriman, an unsuccessful race for Congress, business in Philadelphia, and the job of special assistant to the Secretary of Labor. There Mr. Batt worked on problems of high-unemployment areas and co-authored the executive order placing defense contracts in labor surplus areas.

Besides these and other government jobs, he was executive secretary to the Toledo Industrial Development Council, then returned to Pennsylvania as Secretary of Labor and Industry—his official biog-

raphy lists the job as "Secretary of Labor."

### Committee plays a part

Mr. Batt and his top officials are assisted by a National Public Advisory Committee whose members feel that they, unlike those of many other advisory committees set up for mere window dressing, have a real influence on their program.

The committee includes a liberal representation of union officials. It also includes Mayor Jerome P. Cavanagh of Detroit, a reliable congressional witness for ARA from an area which is receiving \$3,679,000 in loans, including \$1.9 million for the deluxe Pontchartrain Hotel and \$1 million for a motor hotel.

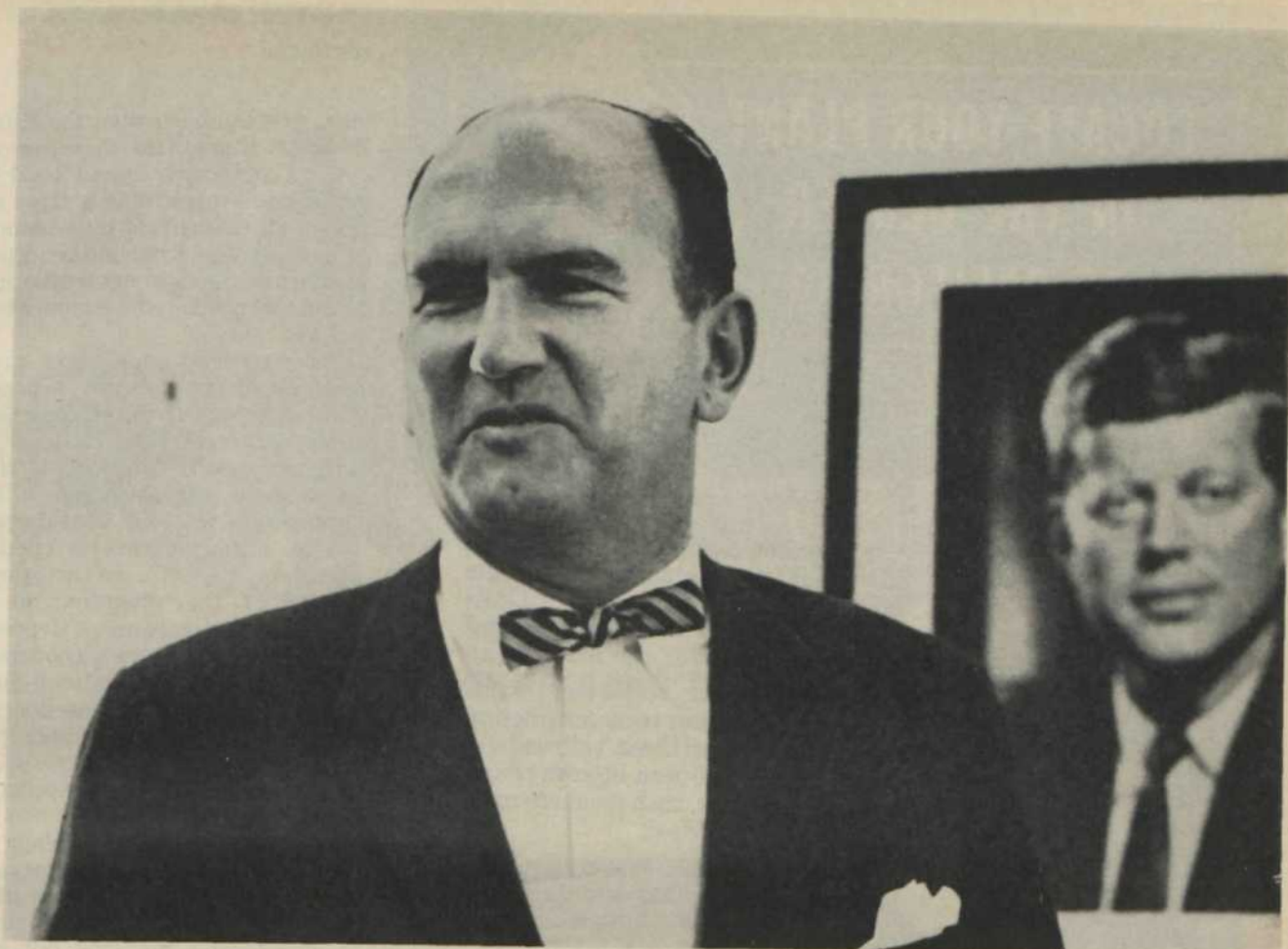
Another member is Clyde T. Ellis, general manager of the National Rural Electric Cooperative Association. Mr. Ellis, along with a spokesman for the American Public Power Association, recently urged President Kennedy to back a TVA-type authority for the area embracing nine states in the Appalachian Area.

Another is C. Benton Musslewhite of Lufkin, Tex., who has been active in state Democratic politics, serves as campaign assistant for the Democratic National Committee, and tried to unseat incumbent Rep. John Dowdy in the Democratic primary (before his appointment to the committee).

Congressman Dowdy expects a return match, claiming that Mr. Musslewhite appears to be using ARA as a vehicle in diligent politicking back home.

Still another member is a re-





PHOTOS BY GEORGE TAMES

Area Redevelopment Administration is run by William L. Batt, Jr., a Kennedy loyalist

tired banker and businessman, Reuben H. Levy, who was recommended for the job by Pennsylvania's Democratic Rep. Daniel J. Flood, a member of the House Appropriations Committee.

The program in their care covers roughly 1,000 areas that are eligible for federal money because of varying degrees of unemployment. This is, of course, far from the 79 or so areas envisioned by Democratic Sen. Paul Douglas of Illinois when he was pushing back in 1955 for a federal program aimed at the worst pockets of unemployment.

It's easy to criticize this over-extension of the program's coverage, says Dr. Levitan, an old hand in Washington, but it's questionable whether a more selective program could have gotten through Congress.

A former ARA official puts it more bluntly: "Can you imagine all those congressmen voting funds for 79 urban industrial areas?"

#### **When ARA comes to town**

Here's how the program operates once a community makes the list—which requires no local action and in some cases happens over the community's protest:

To participate, the community

His deputy, Harold L. Williams, feels U. S. must handle employment problem cautiously





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## FIGHT OVER ARA

*continued*

must first establish what the Senate Banking Committee describes as:

"... a broadly based local organization representing a cross section of all elements of the community to assess the economic conditions of that area and to act as the local coordinator for redevelopment activities."

As a second step, this group must draft an over-all economic development program (OEDP) as a guide for community action. The program must be approved by state and federal officials before a loan application will be considered.

This initial process is cited by partisans of ARA as a primary benefit of the program, on the theory that it galvanizes depressed communities to forge a cooperative effort, stimulates local initiative, and brings about long-needed self-appraisal of problems and prospects.

How has the system worked up to this point?

In many cases the plans are "practically meaningless," says Dr. Levitan, who points out that in one state the process consisted simply of an agency's cranking out plans for every county in the state.

Consultant John Fletcher Welle-meyer, who was hired by ARA to evaluate a batch of these plans to determine whether they were geared to local labor force conditions, adds further evidence.

Asked by NATION'S BUSINESS how the planners erred in considering the manpower question, he replied: "The most common type of deficiency was that they didn't mention it at all."

The more sophisticated planners did "throw in" a section on manpower, says Mr. Welle-meyer, but this was largely based on figures from the local office of the state employment service.

Elsewhere, says Dr. Levitan, there is generated a "real community dialogue," although the most promising process often must take years. Business needs a long time to plan efficiently, he adds, and government possibly even longer.

Any application for a loan must satisfy state and federal officials that the applicant and the project would conform to the plan.

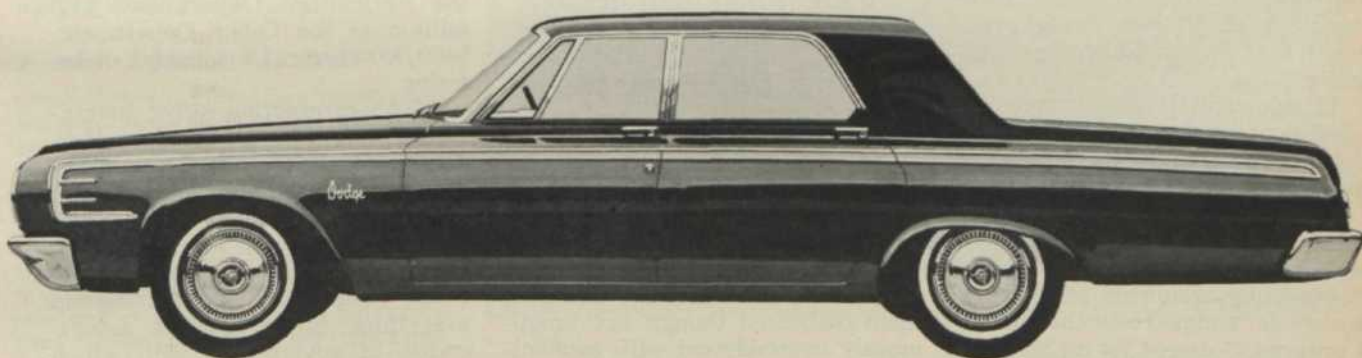
The local economic development committee, whatever its guiding role on paper, may have little or nothing to say about an application—which can come from outside the



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## FIGHT OVER ARA

*continued*

community involved—as ARA has no requirement that members be consulted.

Nor is there any requirement as to membership on these committees, either in terms of numbers or segments of the community represented.

The local committee members, in practice, are consulted 75 to 80 per cent of the time, says Deputy Administrator Williams, but he has received complaints from some committeemen that they were ignored.

By this point, the community will doubtless have seen a great deal of one of ARA's field men, whose chores range from drumming up interest in the program to actually helping fill out applications.

"Every federal agency has a responsibility to make its programs known to the people who can benefit from it," explains Mr. Williams.

Yet Mr. Batt, in asking Congress for more staff money, leaves the impression that his field men have enough to do keeping up with requests that are based on local initiative.

"It is essential that we provide a sufficient staff to be able to respond to the communities' calls for assistance," he says.

At any rate, Mr. Williams denies widespread charges that the agency's field men are dumping the program on unwilling recipients and claims no one has "stepped over the bounds of propriety" except for an instance or two of "overzealous individuals."

He concedes, however, that some federal men occasionally take the "tin god" attitude with local communities that "this project has got to be approved by me," a failing of which he says state and local functionaries are guilty as well.

### Background of ARA salesmen

The ARA field representatives, whose salaries are in the \$12,000 range, include men with experience in business and finance, industrial development work, armed services community relations, farming, municipal government, and federal agencies.

They also include men who have held state appointive jobs, and former administrative assistants to congressmen, elected city officials, state legislators.

The agency can hire consultants to do field work, but officials have assured Congress that they have

no more like Warren P. Cleary, their man in Michigan's Upper Peninsula for a time.

A member of a politically well connected family in Escanaba, Mr. Cleary returned to his home district for ARA after several years in the Foreign Service.

He spent several months on the scene—Mr. Williams says he did a "bang-up job"—then resigned to become the Democratic nominee against veteran Republican Rep. Victor A. Knox, a strong foe of ARA.

Despite a slugging campaign in which Mr. Cleary pledged, among other things, to promote economic development of his district through tourism, he was defeated and returned to a Washington job in the Post Office Department.

The agency's field men are "better than you might suspect, on the

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**Cutting waste in space budget is urgent need, Sen. William Proxmire warns. He outlines his reasons on page 38**

---

whole," says Dr. Levitan, who calls them dedicated though not unanimously overendowed with sophistication.

A more critical assessment has been made by Daniel L. Goldy, who served as deputy administrator of ARA before taking over as head of the Commerce Department's Business and Defense Services Administration.

Mr. Goldy, who has had long experience in the lumber industry, told how ARA's enthusiastic operatives, pursuing their mission to "unlock resources," went overboard at the sight of a most readily apparent resource—trees—and proceeded to "unlock" timber resources heedless of the overproduction problems of the industry.

A special tabulation run by the agency showed that, as of June 15, loans in the lumber and wood products industries totaled more than \$12 million out of the \$69.7 million approved for all commercial and industrial loans. This was second only to loans for projects in rec-

reation and tourism, which accounted for \$14.2 million.

When an application is finally completed, it is sent to Washington where, as Administrator Batt told Congress, "We are already alerted to it because in many instances our field coordinator has helped the applicant fill out the application and made him aware of the provisions of the act."

Then the application enters what Dr. Levitan calls a "maze of administrative complexity."

In a clear-cut case, the application will go to a project review committee within the agency and, if cleared there, on to the Small Business Administration for checking of financing and engineering by the SBA regional office.

Depending on the type of project, however, the application might be referred for recommendation to any number of other agencies. In one case, the Rural Electrification Administration passed on a clay products project.

Major payments by ARA to other agencies in fiscal 1963 were \$3.7 million, including \$1.5 million to the Agriculture Department, \$1.3 million to the Labor Department, \$400,000 to the Department of Interior.

ARA's contracting within government prompted Democratic Rep. John Rooney of New York, chairman of a House appropriations subcommittee, to comment to Mr. Batt:

"Apparently your agency has entirely too much money, with the result [that] you are soaking up everything in the various departments of government with which you are concerned."

Mr. Williams says the agency normally follows the recommendations of sister agencies that review applications.

But, as Mr. Batt has told Congress, he retains final approval authority over applications, a situation which has given rise to reports of political considerations influencing decisions.

Commerce Secretary Luther H. Hodges has conceded that his department has been embarrassed by project approvals being leaked and exploited for political purposes.

The entire borrowing process can take months, which apparently accounts for the approval of a \$1.6 million loan for a resort hotel last April and a \$2.5 million loan for another hotel in July, both for an area of Puerto Rico which ceased to be eligible July 19, 1962.

It is ARA's policy that a project, if under way when a community's eligibility status is lifted, can pro-



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Ask yourself: Is there a definite *need* for automation in my office? Or am I jumping on somebody else's handwagon?

Basic automation will automate the basic paperwork tasks of running a business—like the preparation of purchase orders, sales orders, invoices, inventory records, payrolls, etc.

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Some companies feel a steady increase in office personnel is a sign of company growth. But it can be a sign of office bottlenecks instead.

If you are hiring new people to create paperwork by the same process you've been using for years, you need basic automation. You would profit by calling in a systems man to analyze your present system, suggest improvement and tell you what to leave as is.

### 2. HIGH WORKER TURNOVER

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If your office staff is primarily engaged in preparing the same type of paperwork over and over, you definitely will profit from automation. 90% of the typing and figuring of sales orders, invoices, purchase orders, etc., can be done *automatically* with basic automated equipment.

### 4. "LACK OF INFORMATION"

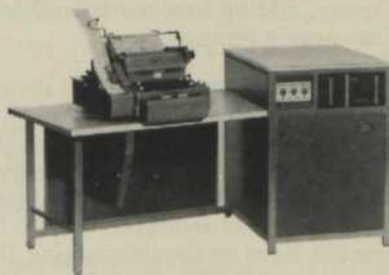
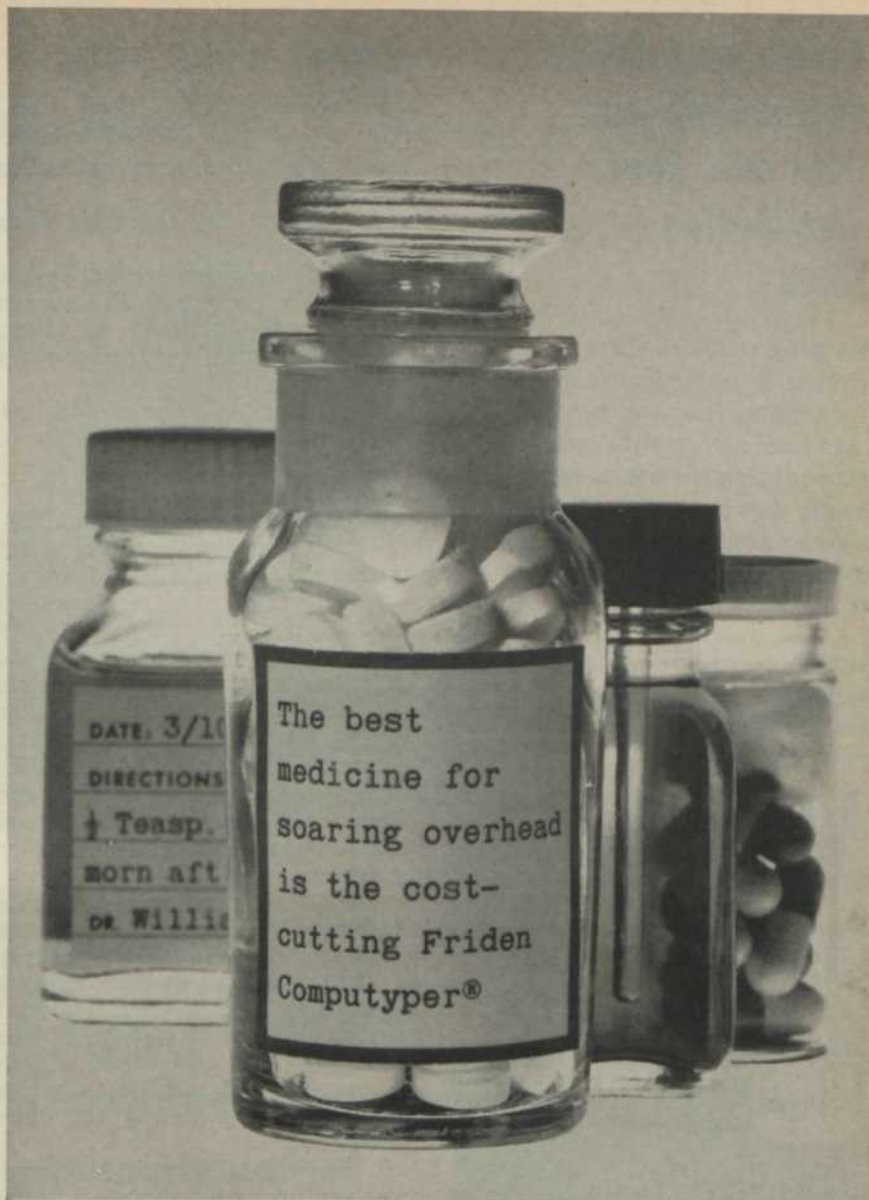
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## FIGHT OVER ARA

*continued*

ceed although no new applications are accepted.

Despite all the checking, things can go wrong.

Mr. Williams reports that by mid-September there were five projects [representing \$600,000 in government loans] that were delinquent in repayments.

Ten others, representing \$2.5 million in loans, were said by an agency spokesman to be "closely observed for varying degrees of financial or management difficulty."

Total loan disbursements at that time were \$33 million.

All 15 projects involve manufacturing industries, says Mr. Williams, and are new ventures rather than expansions of going concerns.

Principal difficulties are lack of adequate working capital, and management deficiencies which Mr. Williams describes as planning mistakes, disputes among principals, and—in rare instances—general inexperience.

Part of the problem he attributes to "errors in judgment on the part" of our people who did the analysis.

ARA stands ready with technical assistance to clients in trouble, he says, has granted additional loans in some cases and would see the management of a faltering project replaced before letting the enterprise fold.

"We've certainly written off nothing yet," says the deputy administrator, adding that the federal loans are amply secured.

### View on key question

In an interview with **NATION'S BUSINESS**, Mr. Williams was asked to explain ARA's policy justifying loans for projects involving branch plants of well established firms that would have no trouble raising their own capital. Economists consider this a key question, since this sort of expansion holds the best prospects for real economic growth and stability.

The loan money goes to local development groups, Mr. Williams says, to improve their ability to compete in bidding for desirable plants against more prosperous communities with more resources at their command.

Another policy described by Mr. Williams permits the applicant for an ARA loan to contribute funds himself to the local community group, raising its 10 per cent as required by law.

Mr. Williams has no figures on the number of applicants who have done so because ARA does not require this sort of information.

Technical assistance grants, another aspect of the program, can be initiated by request of a community, a consultant who gets an idea, or from within the agency itself.

Such projects can range from preparation of a community development plan to a \$299,000 grant for a University of Pittsburgh study of economic development of the Appalachian region.

They get into aid to education, such as a grant to establish graduate research facilities at a university in Pennsylvania to enable the institution to bid for government and private research contracts.

One item costing taxpayers \$123,000 is listed as a demonstration project for multicounty economic development in the Michigan Upper Peninsula. This went to the economic consulting firm of Robert R. Nathan, a national leader of Americans for Democratic Action.

Since these projects need not be requested by the community involved, one member of the Advisory Committee points out, they can serve to help generate interest in loan projects and support for the over-all program.

The Area Redevelopment Administration, which now has a staff of 388, mostly in Washington, wants to add another 74, with a few more in the field than at headquarters.

Out of its operating budget of \$12 million comes a flood of pamphlets and booklets, a film narrated by news commentator Chet Huntley, and periodic directories of approved projects.

One \$10,000 study listed as "community experience and impact of ARA program on redevelopment areas" proved to be a study of community development activities undertaken before the agency was created.

Mr. Williams and his aides argue that the agency is still a baby, and has never yet operated on a budget estimate based on operating experience.

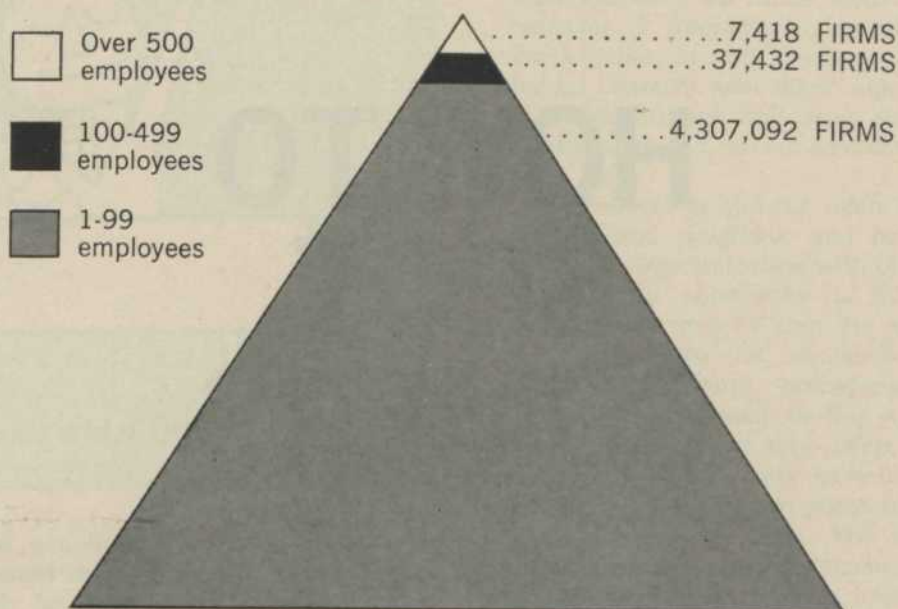
When asked how far ARA should go, he replies that it could live with the increased staff funds and aid authority it is seeking now.

Beyond that, he points out that the federal role in this area has not been definitely resolved and that while state governments should step up their efforts, the federal government should move ahead "very cautiously." **END**



# THE BUSINESS MARKET

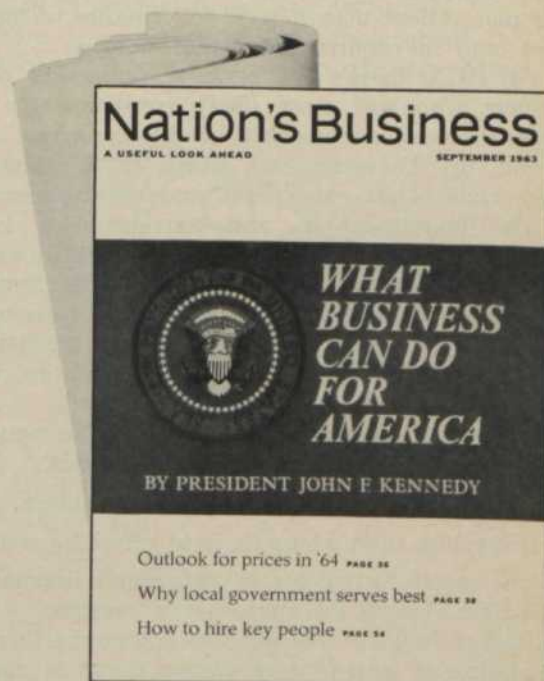
ANALYSIS BY EMPLOYEE SIZE



SOURCE: U.S. Department of Commerce

## DEPTH

The business market is shaped like a pyramid. At the top, few in number, but enormous in size, the giant corporations: "big business." In the base, the multitudes of growing, expanding firms employing fewer than 500 people. There are 4,307,092 of the latter . . . 99% of the total market. If you sell to business and industry, you can't afford to overlook the giants. But it's clear that there is much more to the business market than these 7,418 companies. It's the vast number of smaller firms that make up the major portion of your market, hold the best hope for profitable sales growth. NATION'S BUSINESS 750,000-plus audience is pyramided in much the same way. With 26,000 executives in the 500 largest corporations, plus selective coverage of the presidents, owners, partners in more than 500,000 other companies, you get coverage in depth of the whole business market . . . when you advertise in NATION'S BUSINESS.





# HOW TO SPOT COMERS

These steps will help you find  
and hold promising managers

WHEN THE TALENTED young managers in a company live up to their potential, continuity and a stronger business are assured.

This is a firm's pay-off on its investment in human resources.

The late Mark Cresap, president of Westinghouse, often made this point: Taking on a new man is a real bargain, for in many cases a company is getting far more talent than it pays for. Studies of the subject tend to confirm Mr. Cresap's view.

At RCA there's a "periodic projection of the comers who will most likely constitute the next generation of managership of this company." This points up the seriousness which RCA attaches to appraisals of its supervisors and middle managers.

The investment in, and conversion of, human talent into demonstrated managerial abilities extends to those recruited from the outside and those developed from within the company. In all cases merely tagging someone as a comer, one with potential for some day handling executive responsibilities, is not enough. The conversion must take place.

In looking for and developing new, able managers, a company should focus on two essentials:

- ▶ Identify the comer through his performance.
- ▶ Bring him from where he is to where he could be.

The search for comers is particularly important at this time. Among the more obvious reasons:

Studies indicate that in many companies there is a clustering of near-retirees among those in management positions.

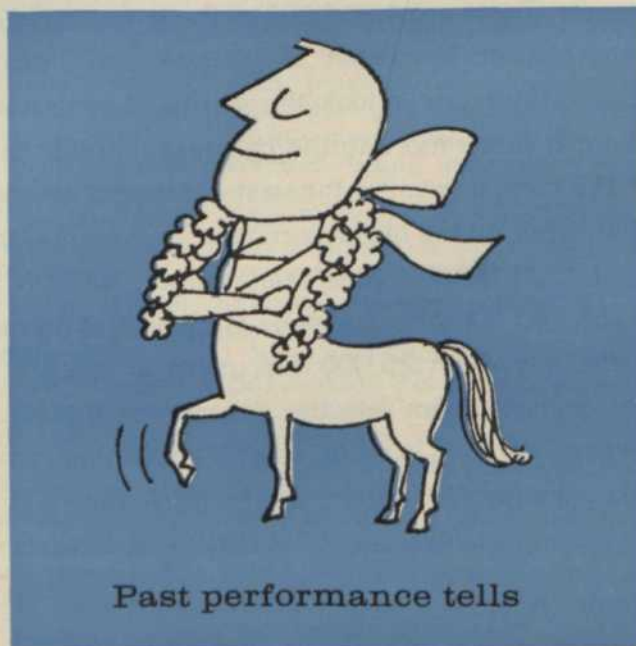
An increasing number of small or family-owned companies are moving into the medium-sized class.

The turnover rate among middle managers is high. There is a growing number of new specializations which have to be managed.

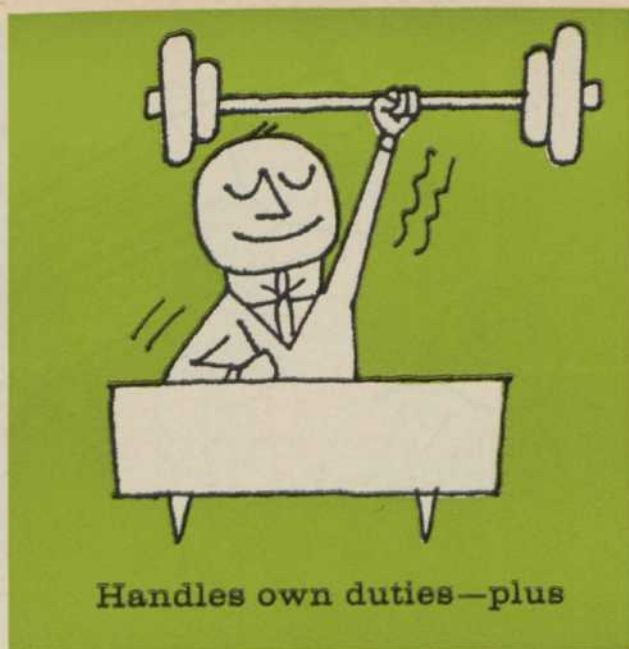
The trend toward establishment of field plants or offices in decentralized companies continues.

The need for potential managers to meet the accelerated pace of company growth and change is yet another potent reason.

Less obvious, but still crucial, is the need to round out an important triad: organizational planning, executive team effectiveness, and managerial man-







**Handles own duties—plus**

power. The first can be accomplished through expertise and constant monitoring. The second can be attained through leadership and sustained rapport among the men. The third, however, calls for new blood. This comes through building reserve strength in men of management caliber. Only a company with a deep concern for qualitative managerial succession can fulfill this requirement.

#### **What to watch for**

Future leaders emerge from the competition of performance. Despite all our psychological tests and executive-trait inventories, the most valid basis for predicting future performance is a man's past performance. The best predictor is the record which shows a man's capability to learn quickly and to take on jobs of a progressively more difficult nature.

Managerial selection studies of the Standard Oil Company (N.J.) indicate the importance of selection in terms of management functions (performance) rather than in psychological evaluation terms (personal traits). Studies of the Management Development Laboratory, University of Minnesota, on predicting managerial success, lead only to the conclusion that there exists a kind of general managerial effectiveness, manifested early in a man's career. This cannot be defined precisely, but it shows up in his performance in various assignments.

The comer can best be identified by his behavior under firing-line conditions. Some of these indications stand out more visibly than others. Watch for them.

The comer shows early that he is able to handle his own duties—plus. It is the plus dimension which sets a rising leader apart from the ordinary supervisor.

Another mark is resiliency. The comer can experience a failure and absorb severe criticism when it is warranted. More important, however, he shows a capacity to come back and live with these situations, capitalizing on what they have taught him.

The comer need not be a statesman, but he shows

good sense and propriety in knowing when to talk and when to listen.

He demonstrates selling power. He is able to sell his ideas, the work product and technical self-sufficiency of the department he supervises, and himself. This will show up in his relations with his division manager or foreman, in his interoffice memos, his participation in staff meetings, in his formal and informal contacts with other supervisory associates.

Within his own unit he is able to sell his people on decisions and the net advantages that may accrue from them.

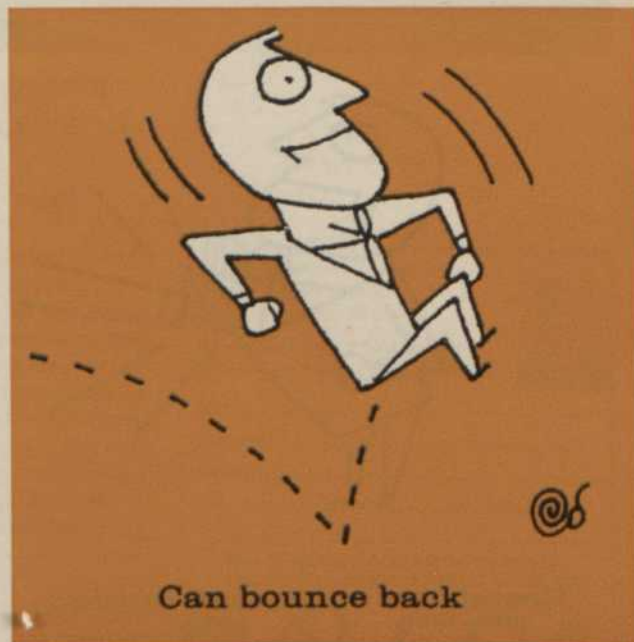
He believes in and can relate well to company objectives and programs, and he is reasonably proficient in communicating with others.

Especially noteworthy is his tough-mindedness. This appears step by step. He resents flabbiness and soft compromise on standards, technical requirements, expenditures, procedures, morale problems. As he matures he extends this quality to policies and ideas, as and when they affect the productivity of his department. He may have to live with conditions he doesn't like, but in some manner he'll let you know his true feelings. His tough-mindedness is reflected in day-to-day judgments, his resistance to being pushed around, and his impatience with a mediocre performance. He will ask to be shown statistical results, substantiation, the pros and cons of an issue.

As time goes on the rising manager will disclose his awareness of the importance of building good relations with other departments for himself and for the unit he represents. Indeed, through inexperience he will on occasion fraternize with the wrong man, become overaggressive, or display impatience. But he will learn from these mistakes, and talk them over with his boss.

The significant point is this: He does not deal spotily in these relationships. The special effort he makes to cultivate and sustain friendships cumulatively pays off in productiveness and teamwork.

There is a quality of orderliness about the performance of a man moving up. He concentrates on



**Can bounce back**



the responsibilities of his position and doesn't meddle in the other guy's business. He generally plans toward attainable short-term objectives. As for long-term planning, forecasting, new and sophisticated systems—he is content to leave these to the front office.

Orderliness shows up in his careful collection, confirmation, and analysis of information. He will take legitimate risks, but he won't act on the basis of fragmentary data. His reports are prepared with care, the highlights presented logically, the substance clearly emphasized. He avoids a show of ego.

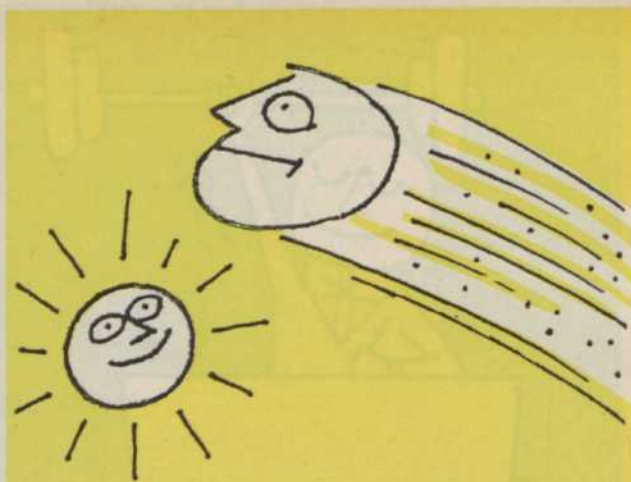
In handling personnel problems, he documents the facts as fully as possible in the event that he may have to face a grievance case later. And he keeps his boss informed on such cases while they are still in the kindling stage.

When visiting his office you sense not the atmosphere of a hot-shot nor that of a supervisor concerned with mere tidiness, but an atmosphere of orderly accomplishment. This is probably the most pronounced sign of a managerial comer and bears watching.

Other elements show up, too: To the extent practicable he delegates discriminately and well to his subordinates. He will do battle, as warranted, for his people. In some instances he will lose the battle—but he will avoid blowing his top, will know why he lost, and will try again at a strategic time.

Finally, you get the impression that the comer invariably comes through in a pinch. When there is need for tightening the belt in a cost-reduction period he will produce.

This quality will also show up when a special report is due by a deadline, or trouble-shooting is required in a critical situation. He develops early a sense of loyalty in giving the boss a hand, especially in a time of exacting pressure. The affluence which



**Rise is predictable**

comes with compliments and promotions doesn't impair his ingrained sense of loyalty, even in serving different bosses with different abilities and temperaments as he moves along in the company.

Beyond these indicators of a comer there are variations depending upon the field of activity.

James E. Cathcart, assistant director of public relations for Pullman, Inc., contends that, in the field of public relations, it is essential that the comer show a combination of two talents: expert technical knowledge of how products are manufactured and used, and a competency as a writer.

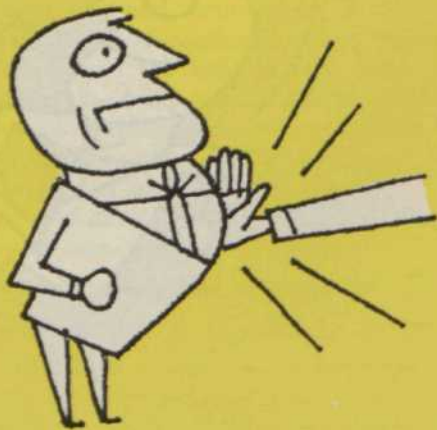
The laboratory director of a leading chemical company makes it clear that the primary requirement for a promotable manager in research and development in his company is that he be, first, a highly competent research scientist. The vice president of sales of a metal products company, on the other hand, holds that the comer has to show a host of performance attributes and that it is difficult to rate them in any order of importance.

In the past 10 years companies have gone the full cycle of possible formal techniques to locate their promotables. These means cover a wide spectrum. It has become fashionable to spend large sums of money on one or the other of the instruments used.

General Mills, for example, uses manpower inventories, physical examinations, patterned interviews, and appraisals. A major insurance firm lets an executive recruiting firm do the job. General Foods, Monsanto, Standard Oil Company (N.J.), Westinghouse, and others have used, moderately or extensively, some of the above methods. So has New York Central Railroad.

Atlantic Refining Company, in its "Management Inventory Plan," runs the gamut in uncovering potential managerial talent. It uses a battery of psychological tests, a comprehensive questionnaire, depth interviews, group appraisal by a panel of three to five management members, inventory charts, counseling devices, a central file of reserves to locate promising candidates on a

*(continued on page 88)*



**Resists being pushed around**





## Farm manager reports Amspro Fibra-Lume stopped roof leaks and rust

Leaking and rusting metal roofs used to be a recurring maintenance problem at Shadowlawn Farms, Inc., one of the largest dairies in Florida. In July, 1960, Shadowlawn management applied Amspro Fibra-Lume, an aluminum coating formulated for metal surfaces and made by Amspro Products, Inc., Cleveland, Ohio.

Bob Hogarth, Farm Manager, reports, "After three years, there are no leaks and no sign of rust or deterioration. This coating looks like it's good for many more years of trouble-free service. Working conditions are better; it's noticeably cooler under the low roof of the milking barn. The clean, bright appearance enhances

the value of the entire property. I highly recommend Fibra-Lume to anyone."

Made with Alcoa® Pigments in a tough asphalt-asbestos base, aluminum roof coatings like Fibra-Lume are ideal for all exterior metal surfaces—tanks, factories, hangars, Quonset huts and residences. Apply with roofing brush or heavy-duty spray equipment. Coatings come ready-mixed, require no heating or thinning.

Alcoa does not make aluminum coatings, but Alcoa Pigments are used in the best brands. Our new 16-page roof coating booklet describes advantages, tells you how and where to apply. For your copy, please send the coupon today.

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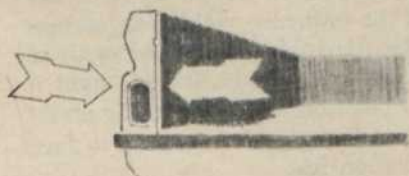
*Front to rear: Fleetside model pickup, C80 chassis-cab, Suburban Carryall with 4-wheel drive*



# INFORMATION FOR OWNERS OF OLDER TRUCKS ABOUT CHEVROLET TRUCKS FOR '64

*This is a lot more truck than your money bought the last time.  
Read about some of the things Chevrolet has done to give you  
more value for practically the same money!*

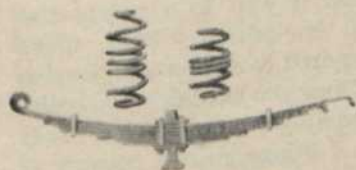
**Double-wall construction**—This feature of Chevrolet cabs and the Fleet-side pickup body has two advantages. We put insulation and sound-deadening material between the two layers of steel which gives you a more comfortable cab; and the inner wall of the pickup body acts as a buffer against load damage.



Cab door openings are larger this year; getting in and out is easier.

Front ends and treads of some medium- and heavy-duty models are much narrower. You have better forward visibility. It's easier to maneuver in tight spots.

**Suspension to fit the truck**—You get a much better ride in every size Chevrolet truck today than you used to. Instead of making one type of suspension system do for the whole

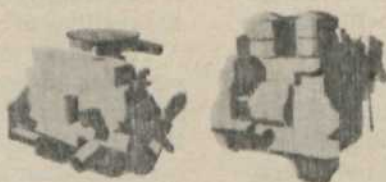


truck line, we now have different types and combinations of springing designed for your particular needs.

Conventional half- and three-quarter-ton models have independent front suspension with variable pitch coils in the rear. Variable pitch coils do not "bottom out" as readily.

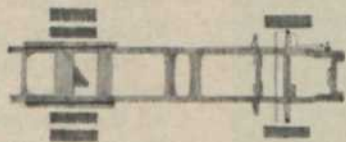
Mediums and heavies have I-beam suspension with variable-rate leaf springs. This variable-rate leaf-type suspension automatically stiffens as the load increases—and vice versa. It means a smoother, flatter ride regardless of load, a better handling truck.

**The right engine**—Chevrolet has been building truck engines since 1918 but never has it been in better position to give you the type and size you need for maximum efficiency. Today there are many different capac-



ities of gasoline and diesel Chevrolet truck engines—fours, sixes, V8's.

**Stronger frames**—Every conventional 1964 Chevrolet truck has a ladder-type frame. Formerly used on heavier trucks only, this type is



more resilient, better able to give with the load and terrain, to stand up under stress. Its simple design also makes it easier to mount special bodies on the truck. Its riveted side rails are stronger.

**Greater model selection**—This time you're going to find it a simple matter to pick the exact type of Chevrolet truck for the kind of work you do.

In delivery trucks, for instance, in addition to regular panels and pickups, we have eleven different sizes of ready-made walk-in vans, some with full-width rear doors.

There are also the Corvair 95 vans with the air-cooled engine in the rear. And the Corvair 95 Rampside with its exclusive side-loading feature. These trucks have more power this year.



Have you seen the '64 El Camino pickup yet? We think it's the best looking commercial vehicle ever built.

In the medium- and heavy-duty area there are stakes, tilt cabs, low-cab-forward models and cab-and-chassis units to suit almost any requirement—including school bus bodies of up to 66-passenger capacity.

Dump truck operators now can order a Chevrolet tandem with either gasoline or diesel power.

**Quality and value**—Chevrolets today are a lot more truck than your money bought the last time, and yet the price tag is just about the same as 5 or 6 years ago. Ask your dealer to bring one around so you can compare it. . . . Chevrolet Division of General Motors, Detroit, Michigan.



**QUALITY TRUCKS ALWAYS COST LESS!**



company-wide basis, periodic review of results, and other techniques.

All of these approaches undoubtedly have merit. The real test, however, is performance under actual job stress. Simulations will not suffice. Supervisory or managerial behavior in a real setting, judged by a man's boss, his equals, and his subordinates—within the total context of contribution to the company good—puts the comer to the test.

### **Bring him to the fore**

Moving a comer along in the company involves several essentials: observation, assessment, coaching, recognition, and reward.

All this cannot be done in one leap. It is important to set a pace so that responsibilities and capabilities are matched.

Observation is the keynote. The boss cannot afford to be so busy as to disregard this responsibility.

He should block out sufficient time for observation of promising men, not in any favored sense but in the interest of the company's investment. The boss must not only be on the alert but he should know what to observe, observe objectively, and observe enough to substantiate his assessment of specific aspects of a man's performance.

The observation should encompass the man's total activities.

Charles W. Foreman, vice president of United Parcel Service, says that in the broader look at developing prospective managers, one must observe how the man handles the three basic assets with which every company deals—money, time, and people.

Assessment is essential. It must be candid as well as judicious and valid. A man has to be assessed not only in terms of what he is supposed to do but what he is expected to accomplish. The heart of the assessment is a discussion of the man's strengths and

weaknesses and their impact upon the productivity of his unit and the company's profitability. All else is ancillary.

Make assessment a profitable session, whether it runs 15 minutes or an hour. Make the session such that both the boss and the comer genuinely look forward to the next one because of the mutual gain derived from coming together.

Once you know the performance you're getting today out of the comer, and the performance you expect next time, and he knows it as well, then the meeting of minds leads to steps that have to be taken to reach such performance. This is coaching.

Sharpen the comer's awareness of risk and how to handle it intelligently. Help him diagnose some of his decisions and point out how they could perhaps have been improved.

Watch his changing interests as his assignments change. He may show a flair for controllership, an unusual insight into market analysis, or a new interest in industrial relations problems. Sustain his interests, build his self-confidence, and give him the freedom to ask for new responsibilities.

Let him think for himself as often as possible. Most comers have a desire to be original or innovative. At the same time, show him the broader picture.

Make him aware of his blind spots and from there on the effort to overcome the blind spots must be largely his own.

He may be unduly resentful of the power structure in the company, or of the influence yielded by certain cliques, or bureaucratic machinery. Any one of these elements could break the comer if he tries to fight it alone. Until he is in a position to do something about it constructively, it is well to teach him how to face the realities of organization life.

These are only some of the more important dimensions of coaching. Once this is done, the job of self-development is his. He will succeed or fail on this crucial point.

Recognition and reward, finally, constitute a vital element in a company's relationship to its comers.

It is not enough for a company to hold promising men through salary scales competitive with those of other companies, attractive environments, and good personnel practices. There must be managerial opportunities to match their capabilities. Good men tend to leave for other pastures once they are convinced their opportunities are not real.

Andrew Carnegie stated it well to a prospective entrepreneur who sought his advice: "First, spend all the time and effort required to attract and develop the young, capable men. Once you have this, the buildings, the machines, the equipment, even the treasury will come in time. And, if things go bad because of hard times, you may have to dispose of your buildings, machines, equipment, and treasury—but try to hold your young, capable men and you'll soon be back on top again."—NATHANIEL STEWART

REPRINTS of "How to Spot Comers" may be obtained for 25 cents a copy, \$12 per 100 or \$90 per 1,000 postpaid from Nation's Business, 1615 H st., N. W., Washington, D. C., 20006. Please enclose remittance with order.



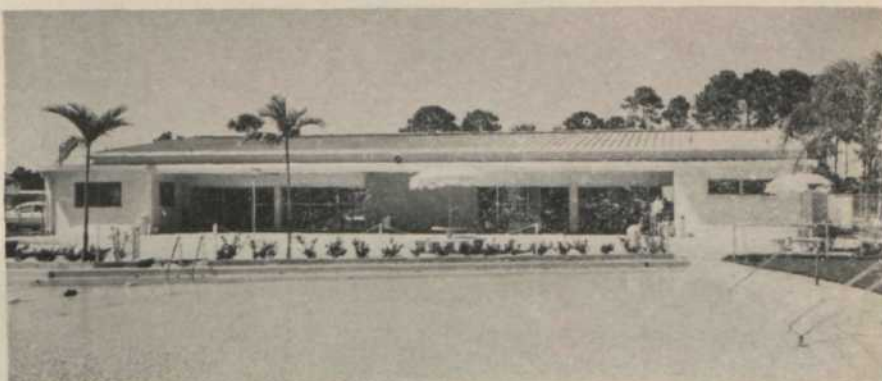


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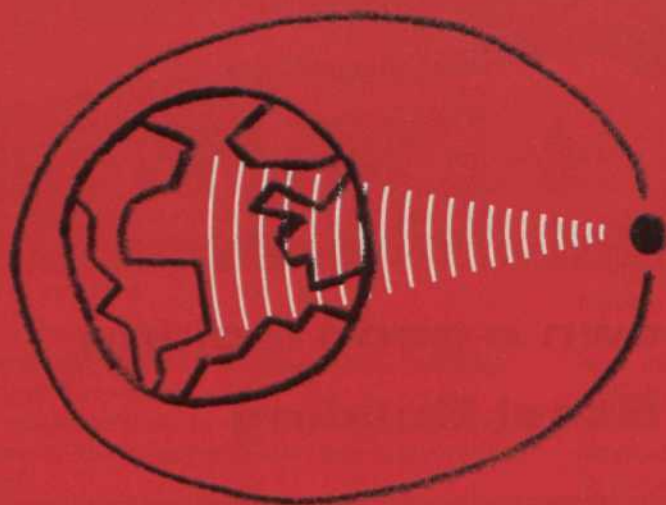
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# ARMCO Metal Products Division





## THE LATEST WORD

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Business and professional men, too, have been hard at work improving communications—between each other and within their own industries and professions. This has been a top priority for the modern trade and professional association.

Through his association the business man can exchange ideas on mutual problems, get facts and figures to help him in his day to day operations, or tune in on the big picture of what's ahead.

The Telstar of the association world is the 1964 Association Public Affairs Conference, January 29-30 in Washington, D. C. Over 350 trade and professional associations will sponsor this two-day session. Top legislators and administration leaders will give their impressions of forthcoming national legislative, economic and election issues important to all business and professional men.

Resolve now to use your association in '64 as never before. The signals you will get will be loud and clear—and profitable.

## POINTERS FOR PROGRESS

through trade and professional associations

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STATEMENT of ownership, management and circulation (Act of October 23, 1962; Section 4369, Title 39, United States Code)

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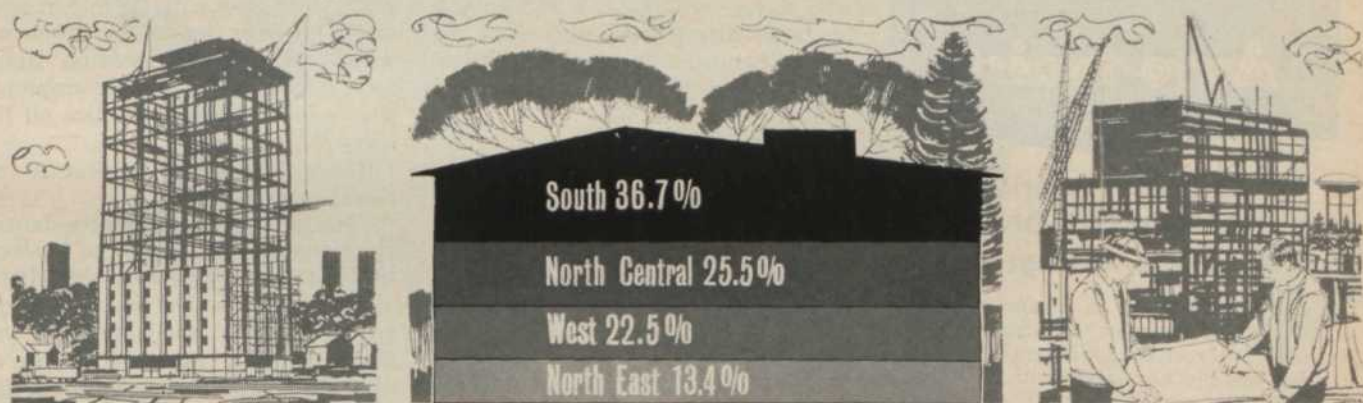
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# SOUTH LEADS U. S. IN LIFE INSURANCE COMPANY INVESTMENTS

*\$4-1/4 Billion of Life Insurance Company Mortgage Loans for Alabama, Georgia, Florida and Mississippi*

The South as a whole accounted for 36.7% of total mortgage investments of \$46.9 billion held by United States life insurance companies at the end of 1962. Percentages for other regions were North Central, 25.5%; West, 22.5% and Northeast, 13.4%.\*



Percentages of total mortgage investments of life insurance companies by U.S. regions, at close of 1962.

Opportunity for continuing growth was recognized and made possible in Alabama, Georgia, Florida and Mississippi by life insurance company mortgage investments which amounted to \$4,267,903,000 at the close of 1962. This was an increase of 7.5% over 1961.

Major investment in this area also continues to be made by The Southern Company group to increase the capacity of its extensive electric power system.

During the period 1952-62, inclusive, the affiliated companies—Alabama, Georgia, Gulf and Mississippi Power Companies and Southern Electric Generating Company—have spent \$1,336,000,000 for generating plants and transmission and distribution facilities. Another \$570 million expansion program is planned for the period 1963-65.

Investments such as these signalize the opportunities to be found in the area.

Continuing progress of this 4-state area is illustrated by these growth-comparisons of life insurance company operations.

Rate of Gain 1952-1962

	4-State Area	United States
Amount of Insurance in force . . . . .	211.83%	143.04%
Number of policies . . . . .	44.78%	32.37%
Mortgage loans . . . . .	164.31%	118.29%

SOURCE: INSTITUTE OF LIFE INSURANCE

*The last half of the twentieth century belongs to the South!*

\*Institute Of Life Insurance

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## ROLE FOR BUSINESS

*continued from page 35*

next door to a Democratic headquarters.

"My friend not only didn't lose customers," Representative Stinson says, "but he had one of his best years in sales. What a lot of people overlook is the fact that political activity helps a man to meet people, to make more friends than enemies."

Next year's elections, at the national level, will predictably include issues of vital interest to business. This fact alone accounts for much of the year-ahead work which businessmen are doing in shaping party choices, organizing local political machinery, and strengthening party treasuries.

The question of underemployment, for example, is certain to figure in the '64 campaign; but local issues, too, will have a compelling business interest—whether they be taxes, bond issues, or the philosophies of local candidates.

### Voters pick officials

Next year voters will decide the occupancy of all 435 seats in the U. S. House of Representatives, 35 of the 100 Senate seats, 26 of the nation's 50 governorships, the make-up of state legislatures in many states and thousands of local offices.

While the local elections don't hold the glamour of a national contest, they are important if only for the part they play in training men and women who later seek state or national offices. The biographies of members of the Eighty-seventh Congress, for example, disclosed that more than 70 per cent of those in both houses had previously held some type of elective or appointive office, or party post—ranging from seats in state assemblies to school board memberships.

Additional evidence of increasing business participation in politics includes the establishment of political action committees by business and professional groups and a doubling since 1959 of the number of major companies conducting formal programs for public affairs.

The massive political education program at Ford reaches deep into the who, what, and why of local level politics. Beginning this month, Ford's eight regional governmental affairs managers will be conducting workshops for company employees on the governmental set-up of the communities in which Ford plants and offices operate. Among the items

used in the workshops is a fact sheet on mayors, councilmen and other local officials.

There is no partisanship in the Ford program. "Its objective," says Mr. Reid, "is to get the average employee a little more interested, a little more active." Ford's management knows full well that its educational effort, in instances where it involves unionized employees, is unavoidably going to cover some of the ground worked by the powerful AFL-CIO Committee on Political Education.

But, unlike COPE's approach, the company-run program avoids the endorsement or condemnation of individual candidates or officeholders, stays out of issues and sticks strictly to an exposition of the mechanics of politics.

At Ford, as in many companies, there is a clear-cut policy covering the employee who wishes to run for office, or to play a major role in politics. One-year leaves of absence—with seniority and pension rights protected—are available to employees who want to go into politics all the way.

These leaves are subject to renewal each year.

"Normally, between presidential elections, people tend to go to sleep, but not this time," says Mr. Reid. He underscores the importance of going to work early—now—if you want to make yourself felt in an election next year, because of the long lead time involved in building any campaign to a successful climax, and the fact that most of the really important decisions in a campaign are made early.

### What you can do

The range of opportunities open to the businessman interested in doing more in politics is wide.

As an individual, the businessman may contribute up to \$5,000 to as many candidates and political committees as he pleases.

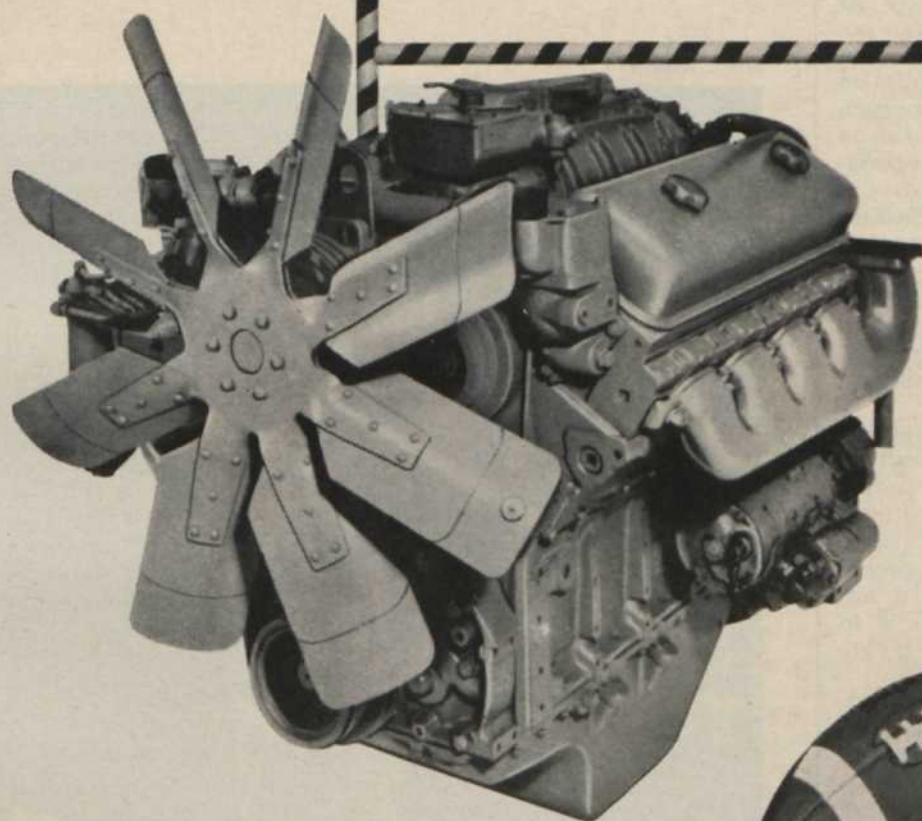
Such contributions are not tax deductible.

In addition, the businessman—as well as any citizen—may support candidates and organize and serve on a candidate's committee.

The businessman can speak on behalf of a candidate, discuss political issues, work as a precinct official or helper, run and hold political office, and, of course, vote (studies by the University of Michigan indicate that businessmen are considerably more responsible about the exercise of the voting privilege than are other members of society).

The things which a business can





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## ROLE FOR BUSINESS

*continued*

and can't do are somewhat more complex.

Businesses—as corporations—cannot make contributions in connection with any federal election, primary, political convention, or caucus.

Businesses can give workers time off to vote, allow candidates to tour their facilities and visit with employees, pay full salaries to employees who devote part of their time to politics. They can also urge employees to register and vote, without reference to a specific party or candidate; discuss issues with a political relationship in company publications; educate their employees on the dynamics of politics (in such programs as the Action Course on Practical Politics), testify on pending legislation, and more.

Former President Harry S. Truman, responding to a NATION'S BUSINESS inquiry, indicated that he feels businessmen could do a lot more in politics. In his characteristically peppery style, Mr. Truman, once a small businessman himself, observed:

"The principal part businessmen now play in politics is to stand off to one side and criticize the people who run the political organizations. If they would get out once in awhile to poll a precinct and haul people to the polls, it would help a lot. However, the most they do is to criticize the people who are trying to get the job done."

Former President Dwight D. Eisenhower put the issue sharply when he told a group of industrialists earlier this year that improvements in the American system of self-government must begin with action by the individual.

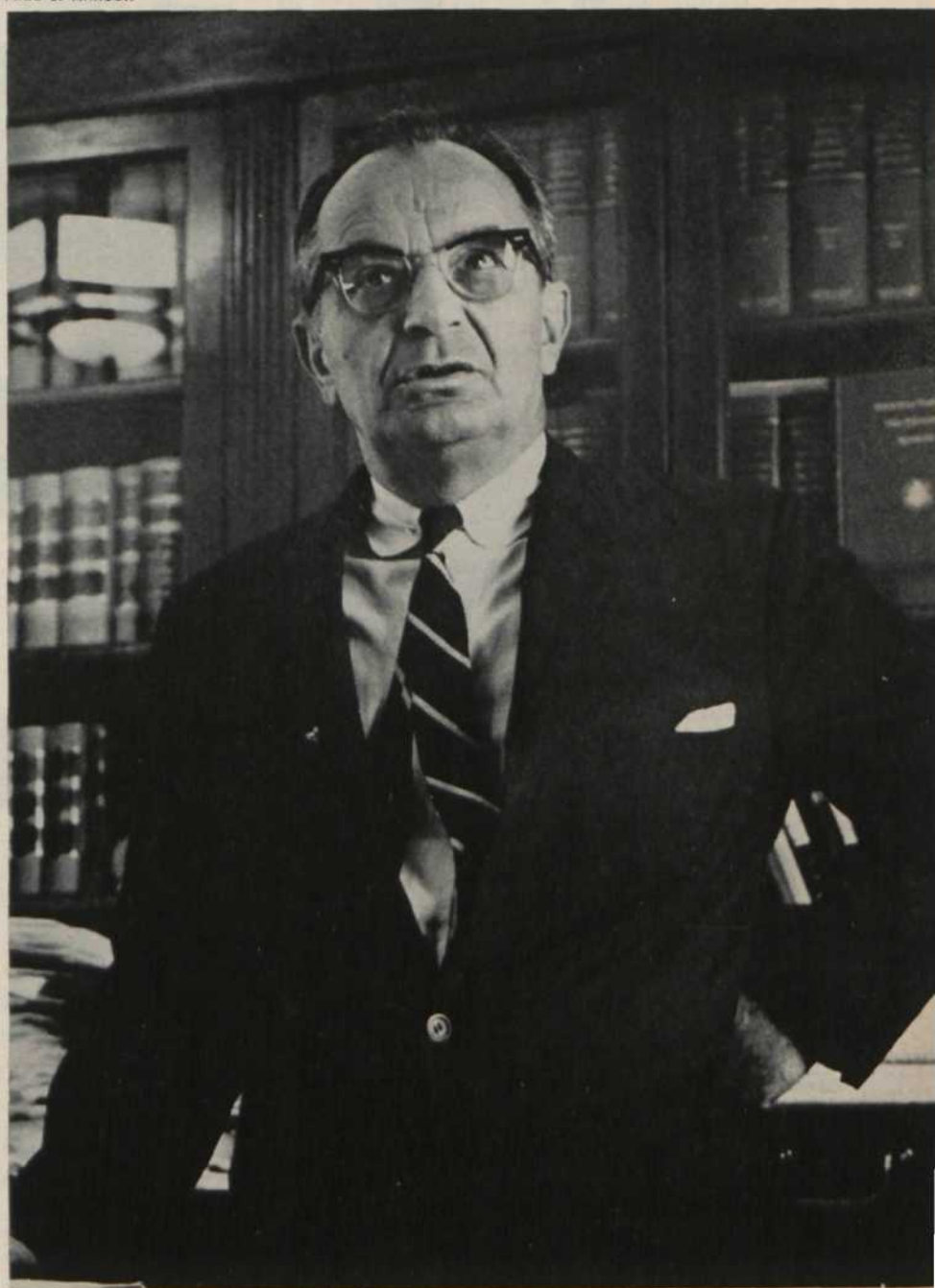
"There is much that each of us can do," said General Eisenhower. "An obvious one is to participate actively as a member of the political party of our choice. Delve deeply into our fund of common sense, our knowledge of our own history, and the development of the American economy; study the words and deeds of Washington, Lincoln, and Jefferson and out of all of this develop an individual and simple political philosophy."

"Why not refuse to listen to the political aspirant who promises a special favor to me, but, instead, join and support the party whose platforms, programs and actions for national progress seem best to coincide with my own beliefs?" **END**

## ELECTION ★ ★ YEAR ★ ★ FORECAST

# Why businessmen

FRED J. MAROON





# *make good politicians*

Practical experience develops qualities which are a strong asset when applied to government problems, says Rep. Herman T. Schneebeli of Pennsylvania

THE BUSINESS COMMUNITY has a vital stake in improving government at all levels, and there is much that businessmen can contribute.

This is the opinion of Rep. Herman T. Schneebeli, a Williamsport, Pa., businessman who has been in Congress since 1960. Mr. Schneebeli, a Republican, was first elected to fill the vacancy caused by the death of Rep. Alvin R. Bush. He was re-elected in the general election of 1960 and again in 1962. He is a member of the influential Ways and Means Committee.

Mr. Schneebeli is a businessman of 30 years' experience. He is a commission distributor for the Gulf Oil Corporation, owner of an automobile dealership and part owner of another Gulf distributorship in a nearby community and two wholesale-retail tire outlets. An Army captain during World War II, he served as commanding officer of a high-explosives plant at Kingsport, Tenn.

An active interest in civic affairs led Mr. Schneebeli into politics. He served as president and campaign chairman for the Community Chest and was campaign committee chairman for YWCA and Williamsport Hospital fund drives. He also was appointed to the school board.

Then he was persuaded by the directors of the Williamsport Chamber of Commerce to act as coordinator of its first political action course. The course was in progress

when Representative Bush died, and a number of the city's leading citizens prevailed upon Mr. Schneebeli to run for the vacant seat. He won the special election in April, 1960, and in the two general elections since, increased his winning margin from 4,200 to 40,000.

In this interview with NATION'S BUSINESS, Representative Schneebeli tells why he believes more businessmen should run for public office, what qualities they have that are useful in solving government problems, and explains how he has put his own business experience to use in the House of Representatives.

**Mr. Schneebeli, have you found your business background helpful in Congress?**

It is a terrific asset, particularly in the committee on which I serve, the taxation committee. I feel that I can do a pretty good job because, being a taxpayer of some consequence, I am allergic to high taxes. On the other hand, having to meet a payroll, I recognize the fact that we should raise the money to pay our expenses. So I have an interest in both ends of the problem, and I think my business background, together with my education in business administration at Dartmouth, helps me grasp a lot of the intricate problems of the Ways and Means Committee.

There is much to learn, and I am still very much in the learning process. There is much that I don't

know, but I am an eager student and try to keep an inquiring mind.

**What qualities and abilities does the average businessman have that are useful when brought to bear on problems of government?**

First of all, government should be operated as close to a profit and loss basis as business. The experience of a businessman in trying to balance a budget and show a profit is an important counterbalance to those people in Congress who don't seem to have much concern in this area, who feel that all social programs are justified regardless of cost. We have a little more realistic approach—a business cannot succeed unless it shows some sort of profit or surplus.

Secondly, I think businessmen tend to deliberate a little more on the broad reactions to and results of a decision. Where we have used our own money in business we have been circumspect as to what the final answer is going to be. We are a little broader in our outlook, I think, in determining all angles to a problem.

A businessman also brings into politics certain characteristics of ethics and morality. Certainly in local business you must have these qualities or you are not likely to be successful.

I think that experience in handling labor, finance, management, sales promotion, and all the various aspects of business gives us a little deeper appreciation of the many problems that go into a decision here in Washington.

**Do you feel it is important that more businessmen run for public office?**

We are witnessing a gradual decrease in the number of people in



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## GOOD POLITICIANS

*continued*

politics who are simply political professionals. In their place, more and more, I believe we will find business and professional people and others with experience outside the field of politics alone. This is a healthy trend and one which is essential if we are to have sound government in the years ahead.

Since government is getting into the affairs of business so deeply in so many areas, it certainly should be a matter of concern that government would be sympathetic to and appreciate business problems. And who knows better what the business problems are than a businessman?

I think the professional politician gradually is going out, and I think that people in the professional and business world are gradually recognizing their responsibilities in this area. The trend is from restricted activity—accepting civic responsibility in local affairs and philanthropic drives—to a more active participation in politics on all levels.

They recognize the problem and they are doing something about it.

**Businessmen feel they have a vital stake in taking part?**

Very much. All we have to do is think about the tax bill, for example. If we can reduce the taxes of business by ten per cent, we will have accomplished something very beneficial to the whole nation.

**What active roles other than elective office can businessmen take in politics?**

Well, they can serve in several capacities. They can serve on a finance committee of a political party, which is very important. They can serve on the executive committees of district and county organizations. They can serve as committee people and ward workers. They can lend their interest and presence and active participation in politics in many areas—as a candidate, in financing the party, and as an active worker.

**Has holding public office been a rewarding experience?**

It has been very enriching in broadening my appreciation and concept of our many national problems and it has been very challenging. I often meet with the heads of large corporations. As congressmen, we meet with people of this type continually. We get to know



their thinking. We probably are in an area of higher executive influence and contact than were we to stay home in business.

The problems we have to cope with here in Washington prepare us for handling big business problems. If we have any basis for advancement, it would be furthered by the contacts we make in this type of work.

**So the experience is valuable for the businessman who enters politics?**

There is greater personal development than if you were to stay with a single corporation, because you have access to many more people with divergent ideas. This is much better preparation for handling a big corporate job.

It gives you a concept of problems on a national scale and you are thinking of things in a broader sense, which is also becoming more and more a top corporate problem.

**How does being a political decision-maker in Congress differ from being a business decision-maker?**

First of all, the business decision in my case is local, limited or personal, while in Congress it is more impersonal, of national consequence generally, probably more philosophical, and on a much broader scale, with much deeper implications all around. The problems here are deeper and more disturbing.

I usually sleep much better with my business problems than I do with my congressional problems.

**Does it require a different approach to get things done in Congress than in running your own business?**

Yes. In Congress you tend to take an academic approach to problems in trying to grasp their broad significance. Secondly, in trying to decide your stand on an issue it is almost like being judge or jury. Thirdly, there are political aspects of party policy and loyalties which have some importance. Your business problems are a lot more immediate, limited, and specific.

In government you are dealing with the public bank account. You are very concerned with doing the right thing. The problems are always new and usually more difficult to delineate specifically and solve.

**Have you found that compromise is a more important part of accomplishing something in Congress than in business?**

Yes. In business it is usually yes or no. But in Congress there are so many aspects. Take this tax pro-

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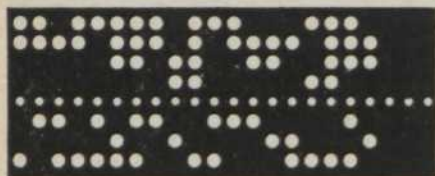
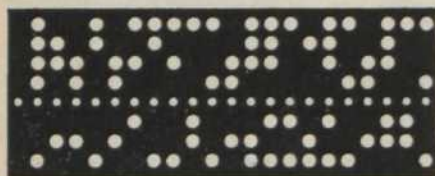
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San Diego County

## GOOD POLITICIANS

*continued*

gram. There were 35 or 40 different areas in which changes were recommended or made. Well, you might be able to subscribe to 80 per cent of them, but the only way you get 80 per cent of them is to accept 20 per cent you don't like. In business you would be more apt to take the 80 per cent and discard the 20 per cent. We don't have that choice here.

**Do you think that most companies are doing enough to encourage their executives to take part in politics?**

I don't know that most companies are. Many companies do a very effective job. Some of the larger companies I know should do more.

One of the largest companies, AT&T, is doing a marvelous job. Another large national corporation is doing virtually nothing, and I have told the chairman of its board that I think it is unfortunate his company doesn't get into this area more. So much of their future is tied up in what happens in Washington that it behooves them to see that the representatives who are down here are not unsympathetic to the fact that business helped to create a lot of what is good in America.

I believe there is a strong trend towards big business encouraging political participation at all levels,

and this is good for the country.

**Do most corporations support their executives once they get into politics?**

Corporations which encourage their employees to get into politics certainly should and do support them because they recognize their responsibility in creating this interest.

Gulf Oil, for example, with which I am affiliated, has a salaried employee from Scranton, Pa., who happens to be a Democrat and who recently was elected to the State Assembly. So Gulf does not necessarily just reflect the Republican viewpoint, because their other man in politics from Pennsylvania is a Democrat.

Gulf Oil was one of the original leaders in urging businessmen to get into politics. Much of this spade work was done by Archie Gray, former executive vice president.

Since my election, there have been no pressures or political overtures from Gulf or any of my other business connections. As a matter of fact, in committee I voted in favor of the two tax provisions regarding additional taxation of oil companies, which were contrary to the interest of the major oil companies.

**What is the best way for a businessman to get started in politics?**

He should create in the public mind the knowledge that he is interested in public service. He can do this by working with community projects and by not limiting himself to his business alone. Being a good community worker is probably the best background.

**How did you set up your political organization?**

At the outset, I capitalized on my knowledge of organizing people with a common objective. I had a meeting each Monday of the first two months with people whose opinion I valued and people who had some practical experience in politics.

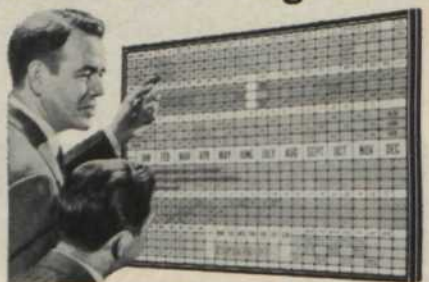
In the first two months I went around to the other seven counties, visiting newspaper editors, county chairmen, people interested in politics, radio stations, and so forth. I wanted to let people see and know who Herm Schneebeli was. They had no idea, since I was new at this work.

Then I got to the practical matter of going around to Republican political meetings being organized for our special election.

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## GOOD POLITICIANS

*continued*

it preceded the 1960 presidential election. Political pundits were looking for straws in the wind, and I guess I was one of the straws. The Republicans were determined they weren't going to lose this seat, which they had held for years, despite the fact they had a businessman who had never run for politics and had to be sold as a candidate. And the Democrats, realizing they had a pretty good proposition, began pouring in an awful lot of money. It was pretty rough going for an amateur.

**How big was your winning margin?**

In the special election I won by 4,200 votes. The following November I ran against the same person and won by 20,000. In 1962, I won by 40,000.

I attribute this increase to, first of all, hard work in Congress; and secondly, sales promotion work which I had learned in business. I became aggressive and advised the people that I was their congressman in order to help them, and asked what their problems were and what their views were. They liked this approach, which was learned through business experience.

**Since your election have you retained your business interests?**

Yes. I go home about every other weekend and I spend about five or six hours a month on my personal business. I think that it is just as well that quite a few congressmen have an independent income so they aren't beholden to the office and can express an independent view at times.

I am not a professional politician in that respect, and I think this independent income is an asset to me in making an independent, impersonal decision.

**Do you hope to stay in Congress or do you eventually plan to go back to full-time business?**

From what I have seen down here I think one of the most difficult problems is for some people to realize when their term of contribution and worthwhile service is ended.

Although there aren't too many instances of this type, there are a few people who tend to stay too long, and I hope I don't get in the same sort of situation. But it is difficult to be too self-critical in trying to arrive at a proper appraisal of when our service is declining. **END**



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CO.**

## PRESIDENTIAL RACE

continued from page 33

on which we are morally right, and the President can't take just the good and easy ones."

But Mr. Miller argues that, "in civil rights, Kennedy has been weak and procrastinating. He promised an executive order to eliminate discrimination in housing. And finally only a weak version of this came out. There has been no civil rights bill, while we passed two of them under Eisenhower. Some of the tension today can be blamed on the Kennedy failure to live up to promises."

Another aspect of the civil rights situation—tagged Factor X by both Democrats and Republicans—is the big imponderable of the campaign. Factor X is the question whether the Administration's civil rights policies will bring an anti-JFK vote next November from lower and middle income suburbanites who fear that it may result in property devaluation, a change in their schools, or a threat to their jobs.

Few politicians appear concerned about this type of reaction from better-off white voters. "The gentry," asserts one expert on voting trends, "can afford to be liberal on civil rights."

The Administration of John F. Kennedy will be judged not only on what Mr. Kennedy tried to do, but on what Congress did with his proposals.

"A big Republican issue," predicts political scientist, author and Kennedy biographer James MacGregor Burns, "will be the lack of President Kennedy's success in Congress."

He told NATION'S BUSINESS: "It has been a near-tragic record."

Only about five per cent of the total package of Kennedy legislative recommendations has been enacted.

However, in qualitative terms, some historic proposals have become law. The Trade Expansion Act should have momentous importance in the future. So could the nuclear test ban treaty. If the tax-cut program is enacted, it will be among the most significant laws of the decade.

"The kind of job President Kennedy has done will be the chief issue," predicts Democratic Chairman Bailey, "and whether he has been the kind of President the American people are satisfied with."

Mr. Bailey admits unemployment is an issue. But he says that this

can be solved with area redevelopment loans and accelerated public works grants and the proposed tax cut.

"We inherited a recession when President Kennedy took office. But he has moved the country forward since then. There are one million more people at work now. Congress hasn't done as much as we want, but it's a slow process."

In foreign affairs, "People are pleased with the way the President has handled things. The Republicans engage in reckless partisanship, but we have peace." Mr. Bailey also includes the Administration's proposal to pay for health care for the aged as an issue, "not only for the elderly, but for the sons and daughters who now have to pay the bills. The same people who were against social security are against our medical care program."

His Republican counterpart sees the Kennedy record in a different light. "As far as getting the country moving," Mr. Miller told NATION'S BUSINESS, "the rate of unemployment has been worse than during two thirds of the Eisenhower period. The rate of rise in the economy has not been as great in any Eisenhower year except 1958."

"Deficits were pointed to with horror by Kennedy during the '60 campaign. Now deficits are being planned. The gold flow is twice as bad as during the Eisenhower years."

"Our general campaign theme, as it looks today, will be that there is so much talk and so little action. He hasn't passed education, medical care or a number of other bills he said he would."

Foreign policy failures have also been plentiful, in Mr. Miller's view. "Kennedy flopped with the Cuban invasion. Then he flopped again on getting Russian troops out of Cuba. We really have no policy on Cuba."

"There was no wall in Berlin before Kennedy took over, no boys being shot at in South Vietnam. The Alliance for Progress has failed. Take a trip around the world and see the mishandling and the loss of prestige."

The President has an immeasurable advantage in having the White House as campaign headquarters and the services of government to call on. The Administration's ability to make news is bitterly resented by the Republicans.

"There's a tremendous propaganda operation at work," says Rep. Wilson. "Attempts to control the press and manage the news will be an issue."

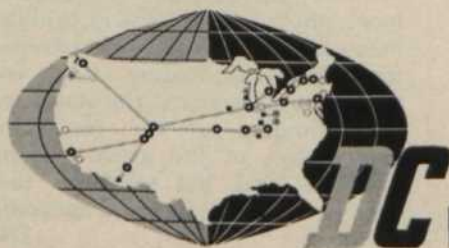
Republicans charge that censor-





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## PRESIDENTIAL RACE

*continued*

ship and twisted facts and statistics, publicity stunts and news management have been instruments for polishing the image of the Administration and distracting public attention from unsolved problems.

Republican strategists admit privately that this charge also makes news and is good publicity policy for the G. O. P. because newspapers are more than ready to carry any legitimate stories about attempts to censor, withhold, or control news.

Naturally, the issues will be influenced by who the Republican nominee is.

There will be an inevitable tendency for any candidate to bend his philosophy toward the moderate center as he tries to capture the moderate majority. However, the leading Republican candidates differ on enough important issues so that the nominee will affect the campaign theme.

Either Gov. Nelson Rockefeller or Sen. Barry Goldwater would be likely to condemn the Administration's record on world leadership and fiscal management. Both would extol the private competitive enterprise system as the key to solving our economic problems.

Either Mr. Rockefeller or Mr. Goldwater could probably be counted on to charge the Administration with abuse of federal power, political opportunism, and what one political scientist calls the "raw exercise of political power down to the ward level."

Where the New York governor and the Arizona senator split is in how they themselves would handle national public problems. They and the other Republican hopefuls will be trying between now and the convention to convince the Party that theirs is the best view.

The debating ability of the Republican candidate will undoubtedly be important in 1964 as it was for the television debates between Richard M. Nixon and John F. Kennedy in 1960.

But the shadow issues and beauty contest factors of the campaigns, whether presidential, or state, or local, must in the minds of thinking businessmen be relatively unimportant. What the mature citizen will weigh most heavily is the stand and understanding of the candidates and parties of the great national problems and the solutions they offer in constitutional and economic terms.

**END**





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## WORLD BUSINESS: How it affects you

# More expansion likely in 1964

Brightening business prospects for U.S. are forecast in an exclusive quarterly report by Economist Intelligence Unit of London

WILL THE WORLD ECONOMY make more progress in 1964 than in 1963? It appears at this point that the answer is "yes."

A year ago prospects were not too encouraging. There was some uneasiness in the American economy, and many countries in Europe were grappling with incipient inflation. After the unpromising autumn came an extremely cold winter and then the threat of strikes in some of the biggest economies. For a time the scene looked black.

But 1963 is turning out better than could have been expected on the evidence a year ago. Much has changed. The U. S. economy has resumed its long upward trend. This, in turn, has sustained Canada. The United Kingdom is emerging from two years of stagnation, and the continent, after a poor first quarter, has found a surprising resilience in recent months.

The better performance of the industrial countries as a group has stimulated international trade, mainly in manufactures but also in primary products. And this, combined with a significant change in primary product markets, has enlarged the earnings of the primary producing countries.

Most of these trends should persist. In that event, 1963 should

finish as a year of growing business for U. S. firms, at home and abroad.

Looking to 1964, we are struck by the possibility that some of its thunder may already have been stolen by 1963. The fact that the worst has not happened may have delayed some adjustments which will be needed sooner or later.

In the United States upward revisions of private investment plans should sustain the pace of expansion until the middle of next year. To maintain it beyond that, however, something more will be needed, and this means the tax cuts now being debated in Congress.

If tax cuts are enacted this year, there is a good prospect that expansion will continue to the end of 1964. But enactment could be delayed. Another risk is that, to protect external payments, Washington may be forced to raise short-term interest rates, with a serious effect on American business. At worst, expansion could cease by midyear, but there are strong built-in safeguards against a downturn.

What happens in the United States will be critical for Canada. Rising sales to the U. S. will be needed to keep up Canada's rise in production. Canada will not entirely escape the impact of the Interest Equalization Act, which will apply

to Canadian stocks and outstanding bonds though not to new issues of bonds. Moreover, this relief has been bought at the cost of raising interest rates at home.

But Canada has far too many spare resources. The government has taken a number of measures to increase employment and, apart from interest rates, will take more. It should be just able to keep recovery going through 1964 so long as the U. S. influence is favorable.

Across the Pacific, Japan, too, is sensitive to U. S. moves to strengthen the dollar—in mid-July Tokyo's Stock Exchange plummeted at first news of the "Kennedy measures"—but the underlying trend of activity is strongly upward.

Backed by a buoyant mood in business and soaring equipment investment, particularly in the newer industries, the economy is set to surge ahead with production indices rising at least until midyear. Thereafter payments troubles could develop if the home market swallows up too great a share of available resources.

On the other side of the world, the United Kingdom has lifted output by about two and a half per cent so far this year. This is mainly a result of tax relief, increased government spending and a sharp



rise in exports. The export rise may be a little slower in coming months, but this should be offset by rising investment in private industry.

There is still a good deal of slack in the British economy. Advancement at roughly the same rate—4.5 per cent a year—is probable at least to mid-1964. But in the second half U. K. progress will depend even more heavily on investment, and hence on reactions of private companies to the coming election.

On the continent attainment of growth is not in question, only the pace. One thing is certain—no country here has still an untapped reserve of manpower on the scale of the late 1950's. This is the main reason for the recent slowdown, and the only answer to it is investment. Most of the countries have had high investment since World War II. But, with less ebullient sales, reduced profits and other limitations, private investment has lately fallen back.

It now looks, however, as if the most difficult phase is over. In most of these countries costs are under better control. In most of them, including France and Germany, more private investment is expected in 1964.

There has been a sharp improvement in exports, but too much shouldn't be made of this because of increasing competition for markets inside Europe.

Present indications are that the growth rate will rise in France and Germany from about four per cent in 1963 to more than five per cent in 1964, and in most other countries it should be the same as in 1963—

an average of about four per cent.

The export field in Europe has been enlarged by the 10 per cent cut in Common Market internal tariffs last July. This has brought the internal tariff level down to 40 per cent of its original base. There has also been a partial adjustment towards a common external tariff, which will tend to lower tariffs in France, Germany, and Italy.

Now that Common Market members have patched up their quarrel over the U. K., there is a better chance of an agricultural agreement in time for the Kennedy round of tariff negotiations in May.

This is essential because of the inclusion of farm products in these negotiations, at U. S. insistence.

It seems possible that the issue of a Common Market levy on poultry imports will not be allowed to hold up the start of the negotiations, but the principle of access to European agricultural markets will figure strongly in the negotiations themselves.

Even if the talks are effective, and there are big industrial tariff cuts, they are unlikely to go beyond 30 per cent, compared with the 50 per cent authorized by the U. S. Trade Expansion Act, and they can hardly come into force until 1965.

The prospect for the primary producing countries next year is closely tied to what happens in industrial countries in 1963. At first glance, therefore, there should be an improvement. Not much more can be expected from private capital flow or official aid. But there should be larger receipts from sales of primary products.

From a low in September 1962 there has been an important revival in prices. There have been two reasons. One, strongest in foodstuffs, is the more fortuitous—a combination of crop setbacks and reactions to the Cuban crisis—and this has already started to subside. The other, more evident in raw materials, is an improved balance between output, stocks, and consumption. This is a result of rising production in industrial countries and output control.

The improvement in prices has increased export earnings of most primary producing countries in the sterling area, and their reserves are well above a year ago; it has had a more limited effect on other countries in Asia, Africa, and Latin America. If, for the time being, demand continues to rise in industrial countries, primary producers should be able to buy more in 1964.

For some of the less developed countries 1964 will be the first full year of independence; for Malaysia it may not be too happy. Indonesia's President Sukarno bids fair to wage political warfare with his neighbors to the detriment of the economy of South East Asia—including that of his own country; and the price of rubber, a major determinant in the pace of growth of the new Federation, looks unlikely to firm significantly in the face of competition from synthetics. Further north, for India and Pakistan 1964 will be another year in the long, slow, struggle to conquer poverty; barring natural disasters, both will achieve some progress though no spectacular breakthrough is to be expected. For India, political—and to lesser extent economic—reappraisal may act as a brake in the early months of the year.

Oil-rich Middle Eastern states, granted a twelve-months free from political turmoil, should continue to lay the foundations for social and economic growth.

To sum up, there is a reasonable chance of as much business growth next year as this in North America and more in Europe. On an improved price basis, the earnings of primary producers could be higher and they could, as a result, import more from the industrial countries. But much depends on factors which have still to materialize.

Beyond 1964 we can look forward to more rapid progress, resulting from advances in economic management which are taking shape in many industrial countries, and from better international arrangements which are in prospect.

## GLOBAL TRADE TRENDS

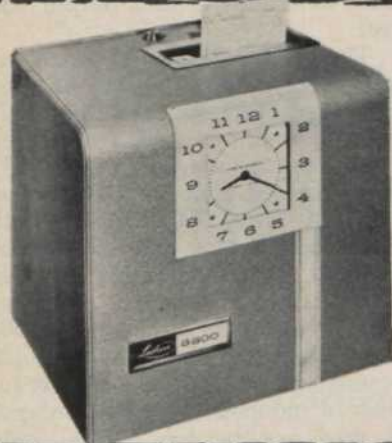
Look for bigger export markets in Japan, which is removing quotas and taking more imports in rapid business expansion. . . .

Can you take advantage of sharp increase in exchange for imports to fight inflation in troubled Indonesia? . . . Burma's oil take-over may open field for new crude suppliers. . . . Thailand's road program will involve large foreign contracts. . . . Watch for new tariff preferences favoring internal suppliers in Latin America, also tax and other measures to hasten local car manufacturing in Mexico. . . .

Brighter spot in Central America is rapidly advancing regional plan for telecommunications. . . . Next year's biggest single opportunity in Europe may be start of Spanish plan for six per cent yearly growth and rise in imports; preliminary moves include cut in tariffs and ending of limits on foreign investment.



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## SPACE SPENDING

*continued from page 39*

massive spending increases through the Budget Bureau without anything like the scrutiny given the budgets of other federal agencies. Nor has the General Accounting Office, Congress's watchdog on federal spending, been able to stay abreast of the galloping pace of the space agency.

I applaud the suggestion, made in the minority report on the House space authorization, that there be appointed an inspector general for NASA, plus a number of congressional field inspectors to examine and report on the space program. Qualified independent supervision of a program that is growing at such a tremendous rate is absolutely essential.

Despite the absence of careful, detailed investigations, a number of examples of wasteful, duplicating, or unnecessarily lavish space program outlays have surfaced as a result of their own sheer lack of weight.

For example, a formal Air Force memorandum recently showed that NASA is planning to construct \$77,671,000 in facilities that directly duplicate existing Air Force capabilities.

Among the specific examples cited are: a life sciences research facility costing \$4.9 million and a space materials laboratory costing \$3.6 million, both at Ames Research Center, California; a central instrumentation facility, \$31.5 million, at Cape Canaveral; a mission control center (\$8.4 million), launch environment and antenna test facilities (\$7.5 million), mission simulation and procedures training facilities (\$2.2 million) and other projects (totaling over \$5.6 million), all at the Manned Spacecraft Center in Houston. All these projects would duplicate existing Air Force facilities, according to the memorandum.

The field of space flight simulation has been especially prone to unnecessary duplication. A \$10.6 million centrifuge for flight simulation has been approved for Houston, along with two others at other centers, despite the finding by the National Academy of Sciences that existing centrifuges and similar motion devices for research are not being fully utilized.

A bulky 530-page survey published by the National Standards Association lists literally hundreds of space simulation facilities in the

United States, many of them competing and overlapping in function and purpose.

In its current budget NASA requested \$131,000 to study its own public relations program. This may seem like peanuts compared to \$5.7 billion—but that's just the coin for the survey. The resulting programs would probably have lapped up additional millions of dollars, and their propaganda effect would be to guarantee the easy enactment of future billions of dollars in appropriations. Fortunately, this is one item on which Congress flipped the abort switch.

NASA's budget is frequently padded with nonessential items such as \$1.3 million for a fatigue research lab to replace an existing building that was "not ideally suited." Rarely does it appear that a serious effort has been made to see if a job can be done at less cost.

The agency wanted \$90 million for three tracking ships for the Apollo project. Careful checking by Congress showed that the Defense Department could provide not three but five fully equipped ships for \$80 million, saving a cool \$10 million.

It should have been no surprise to those familiar with the space program when the General Accounting Office released a report recently showing waste of some \$100 million in the moon program.

While NASA itself has been critical of the performance of industry, the agency can hardly duck the final responsibility for getting what it pays for with the taxpayers' money.

### No magic in space spending

What disturbs me is the "anything goes if it's for space" attitude that makes it possible for huge spending increases to win congressional approval with only a shadow of the scrutiny applied to earth-bound agencies.

In this program, too, I firmly believe there should exist a strong presumption against federal spending. Simply because the program involves glamorous orbits of the earth does not change the hard fact that every cent spent on it comes out of the pockets of U. S. taxpayers—the same, hard-pressed source for all other, competing federal programs.

There is no magic about space spending that converts it into private enterprise. Far from it. In relation to its rapidly growing volume, the space program is probably the most

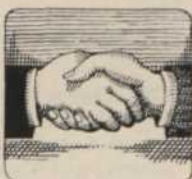


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
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## SPACE SPENDING

*continued*

centralized government spending program in the U. S. It concentrates in the hands of a single agency full authority over an important sector of the American economy, one that is expanding with each passing month.

The economic situation created by the space program could well be described as corporate socialism. There are a large number of private corporations and companies in the aerospace industries, a disturbingly large portion of which work only on space agency contracts and subcontracts. But for all the goods and services that they produce, all the many items and products and technologies that they would normally offer for sale in a freely competitive marketplace, there is only one buyer: the federal government.

It has been made clear to occasionally reluctant legislators that the economies of certain states and districts would suffer seriously if pending space projects were cut. This point was stated explicitly to the House Space Committee by NASA officials testifying against a proposed cut in the \$1.2 billion Project Apollo budget request.

The House Committee recommended a \$120 million cut anyhow, seriously questioning whether the space agency could conceivably use all that money in one year. Unfortunately, a large part of the funds was restored in the House-Senate compromise signed by the President.

Members of Congress can hardly be blamed for taking an interest in contract awards running into hundreds of millions of dollars. They know full well that a range of considerations going well beyond engineering and scientific know-how enter into the decisions.

### District-by-district list

A symbol of congressional interest: NASA has now been asked to furnish a list of projects broken down geographically, which in political terms means state by state and district by district.

One leading science writer recently referred to "NASA's rather blatant pork-barrel approach on how to win friends and influence people in Congress."

Grounds for cynicism are provided when the case for locating the \$130 million (official estimate; more likely total, \$200 million) Manned Spacecraft Center in Houston includes the argument that this fa-



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cility will stimulate a technological boom which will attract people and industries to the area in large numbers, while the more recent decision to construct a \$50 million space electronics center in the Boston area is justified on the grounds that large numbers of exceptionally skilled and trained scientists already live there.

It is disturbing but undoubtedly true that the space program has come as a bonanza to those who favor big government spending. These apostles of big federal budgets—and there are many—see the space program as a means of taking up the slack caused by a possible future leveling off of military spending.

Space spending is also having other unfavorable effects on our economy.

With each passing month a larger percentage of our gross national product goes into research and development for the space program.

Yet it is essential for the U. S. to maintain an especially high pace of research oriented towards the civilian economy to maintain our traditional lead in productivity and to offset the higher wages of American labor. Otherwise we will soon be shut out of important international markets.

We cannot simply rely on the spin-off of new products or the technological fallout of space-oriented research to provide needed forward strides in fields where our industries are daily challenged by the productive capacity of other nations.

While an occasional by-product of space or military research will have application to the civilian economy, this is not enough.

This problem would be less serious if the U. S. economy had a limitless supply of resources that could be tapped for research and development undertakings. But the fact is that, in this field in particular, the space program is in direct, sharp competition with other sectors of our economy for the use of a vital commodity, the supply of which is by no means unlimited—our unique reservoir of highly skilled, trained, and talented scientific manpower.

Each year our universities graduate some 3,000 new Ph.D.'s in science and engineering. On the basis of the space agency's own estimates of its requirements for scientific manpower in the coming years it can be predicted that by 1970 one in every four United States scientists will be at work on the



Allen J. Indzonka, Attorney

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## SPACE SPENDING

continued

space program. This has been described by one scientist as "a spectacular balancing act—education supported by science, science by space, and space by the man on the moon."

### Other research suffers

By skimming off a sizable top layer of scientists each year for the foreseeable future—especially the young, able ones, freshly schooled in up-to-date methodology—the space program may well impoverish the scientific input in other vital areas of research and teaching. Schools, medical centers, industry—even other government agencies and our defense establishment—are beginning to feel the pinch. Already, and we are still only in the early stages of our space effort, there are 10 times as many scientists engaged on NASA space projects as are working on heart disease, mental illness, and cancer at the mammoth research centers of the National Institutes of Health, which themselves have been criticized for overly lavish use of federal funds.

Even a decision to locate a juicy government plum like the proposed Electronics Research Center in Boston is received with mixed feelings, as local companies and other facilities ponder whether the new projects will compete for their top scientists.

The prestige value of space accomplishments should not be overlooked. But prestige, too, has a price tag.

Our government information activities and many other programs contribute to it. The question is whether the investment in space should include extra billions of dollars for propaganda.

We compete with the Soviets on many fronts. By concentrating too much attention on space we run the risk of losing on others.

Despite the urgency with which the space program is viewed I do not believe the need for speed can be so great that NASA should virtually ignore competitive bidding. With all the urgency of military procurement, the Defense Department has a far better record on competitive bidding.

In addition, the Defense Department has inaugurated a cost-cutting and control program that has already saved \$1 billion and is expected to realize savings of \$4 billion over a five-year period. This

kind of rigorous attention to budget practices is urgently needed in our space effort.

### Who has responsibility?

Responsibility for keeping our space program lean and on target lies in three places: the space agency itself, the Congress, and the public at large.

1. More effective safeguards against duplication, waste and other leakages of federal funds must be built into NASA's own procedures. As a minimum, the space agency should fully observe the letter, and the spirit, of the cost-cutting requirements established for the Department of Defense, the U. S. Army Corps of Engineers, and other federal agencies.

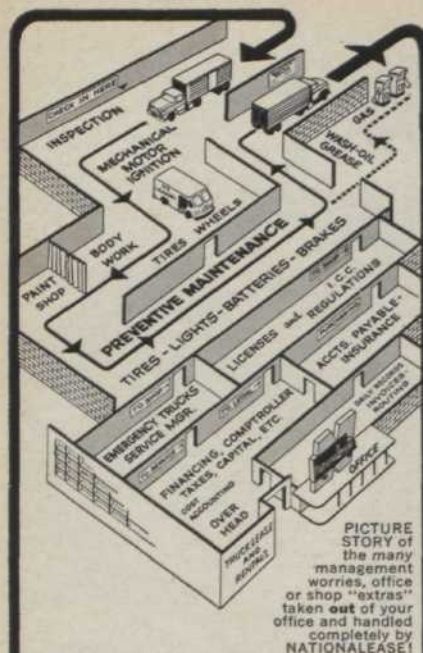
This includes reliance on competitive bid procedures to the greatest possible extent. It is important to act promptly, before the space program becomes encrusted with habits and ways of doing business which will make it harder, and more unpleasant, to change later on.

2. Congress must be steadily alert to its responsibility of legislative supervision. In our system of checks and balances, if Congress abandons its watchdog function, a program can quickly get out of hand because there are few other checkreins to keep it on course. To this end Congress should arm itself with a corps of skilled investigators able to penetrate and analyze the inner workings of the space program. Such a staff should be established either within the Government Accounting Office or in a separate office headed by an inspector general for space programs.

3. Most important of all, it is essential that private individuals and groups apply their concern about excessive and unnecessary government spending to the space program. Recent attacks on pork-barrel projects helped immeasurably to alert the country to the misuse of tax dollars.

A similar alertness to signs of waste and inefficiency in the space program would go a long way to combat the "anything goes if it's for space" attitude.

There are great problems to be solved in space, great returns to those who solve them. But we risk losing a great deal—our self-respect and the respect of others—if we throw billions upon billions into the space hopper without giving careful, sober thought to the price we are paying. **END**



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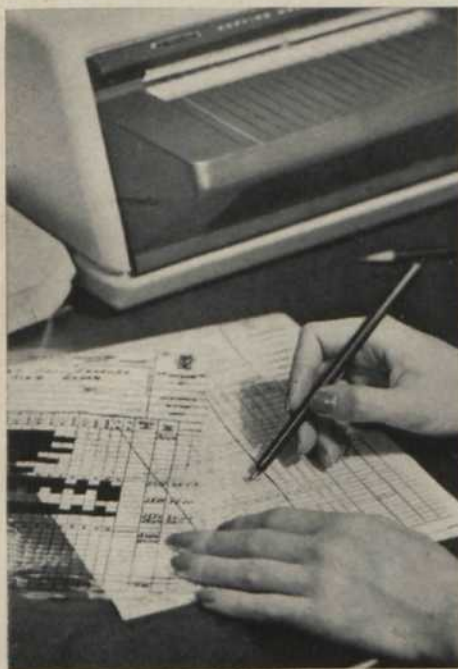
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## SURVEY FINDS:

# Public support for business growing

Concern over union power at all time high

PUBLIC THOUGHT in the United States apparently has shifted toward broader support for the free enterprise system.

This is indicated in a nationwide survey by the Opinion Research Corporation of Princeton, N. J. The survey shows that the public has come to be far more critical of big labor than of big business.

These are some of the significant conclusions:

- ▶ Antibusiness sentiment is decreasing, and the public is swinging toward a stronger belief in less government control of business.
- ▶ Public concern over union power appears to be at an all-time high.
- ▶ In seeking solutions to major national problems, people seem less inclined to turn to the federal government for help.
- ▶ Voters are discontented over the steady rise in federal spending.
- ▶ Concern over welfare problems appears to be diminishing.

The Opinion Research Corporation has been testing public sentiment toward business at regular intervals over the past 17 years by interviewing people of voting age. Though business has not regained the public acceptance it enjoyed in the early 1950's, the latest survey shows a sharp reversal of a downtrend which started in 1953.

### **Business support headed up**

Voters were asked this question: "What is your feeling about government regulation of business? Would you say it is better to regulate business pretty closely, or would you say, the less regulation of business the better?"

Forty-one per cent answered "the less the better," as compared with the 38 per cent who urged closer regulation; the remainder here, and in the results which follow, expressed no opinion. Last year support for business had reached a low point, with 39 per cent of the answers on each side. In 1946, sentiment stood at 40 per cent in favor of less regulation and 36 per cent for more, and then rose to a high point for business in 1953 when 50 per cent urged less control as against 29 per cent for more.

Asked this question—"Do you think we should have more government regulation of business, or less, two or three years from now?"—42 per cent replied "less" and 37 per cent "more or the same."

One year ago, people were evenly divided on the question of whether competition can be depended upon to keep prices at fair levels or whether government controls are needed, with 43 per cent voting each way. Opposition to price controls has bounced back, however, as 50 per cent now place their faith in competition and only 38 per cent in controls.

On the other hand, while a majority of those questioned believe that in industries where there is competition companies should be allowed to make all the profits they can, advocates of a government limit on profits are growing in strength. They rose from 25 per cent in 1962 to 32 per cent in this year's survey. Those who believe that companies should be allowed to make a maximum profit dropped from 61 per cent to 53 per cent.

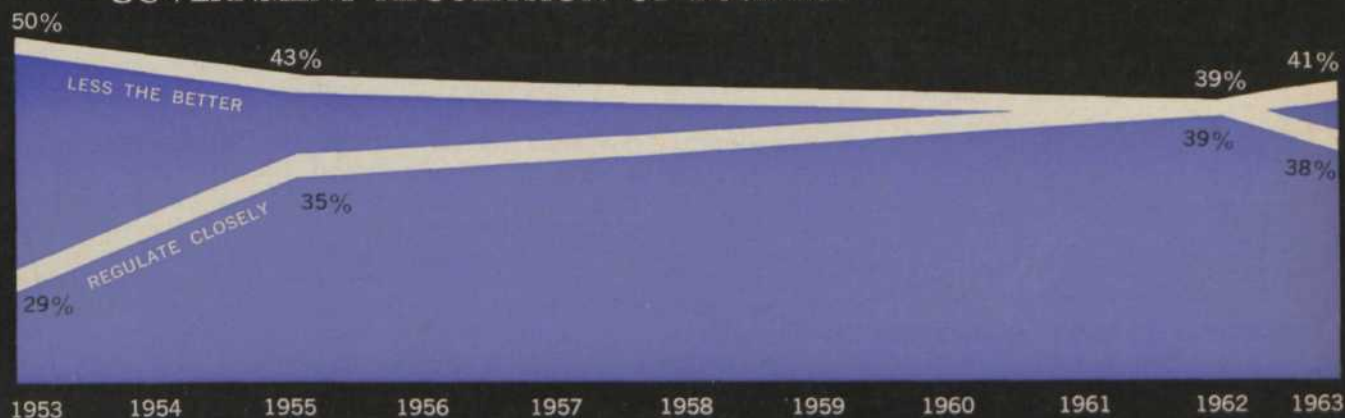
Researchers say they found evidence that the publicity which has been given to record



# HOW VOTERS' VIEWS ARE CHANGING

(Percentage of answers to polls by Opinion Research Corporation)

## GOVERNMENT REGULATION OF BUSINESS

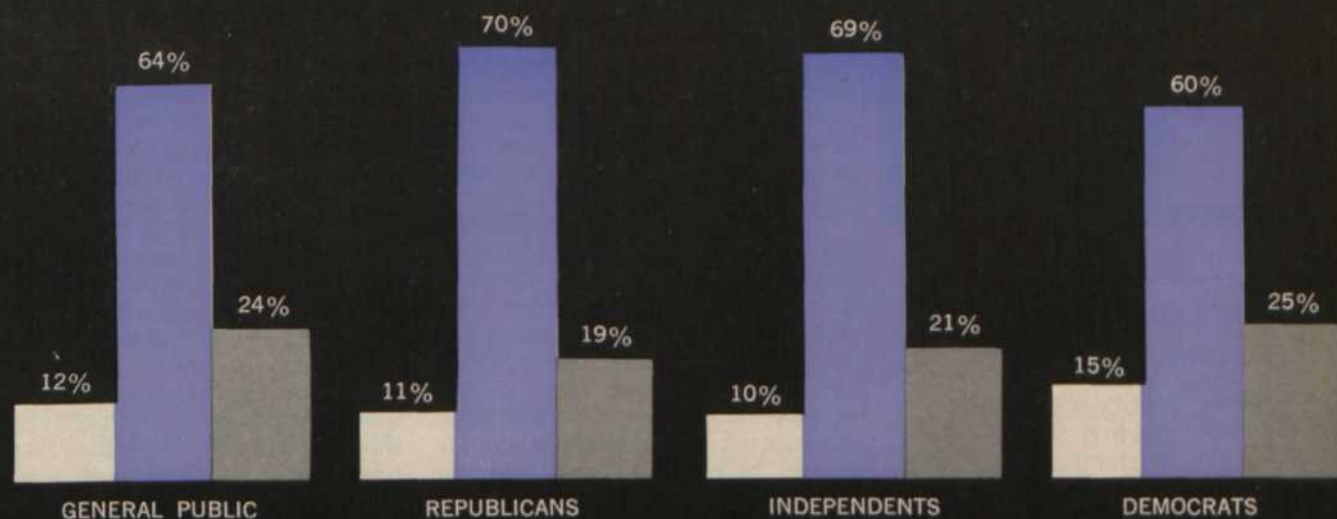


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## SURVEY

continued

dollar profits in some corporations has helped spark this criticism. In the light of continued improved earnings, better interpretation of profits to the public seems to be badly needed, ORC says.

More and more people appear to feel that business is healthy enough that it does not need loans from the government. Opposition reached its highest level in the past 17 years, rising to 51 per cent from 35 per cent in 1962. Answers favoring more government lending to business dropped from 27 to 17 per cent, and those advocating the same amount fell from 18 to 13 per cent.

In a particular industry, the electric utilities, public approval of ownership by investors has been rising steadily, reaching a peak of 48 per cent in the current survey. Those in favor of municipal ownership accounted for 19 per cent; state ownership, 12 per cent; and federal ownership, after a steady decline, six per cent.

Opinion on whether atomic electric plants should be developed by investor-owned companies or the federal government has undergone a sharp reversal against federal development in the past two years. People favoring investor-owned companies increased from 32 per cent to 39 per cent, while those favoring federal projects dropped from 47 to 36 per cent.

### Union support declining

Public concern over labor union power has reached a new high, according to the survey. Criticism of unions began to rise in 1957, touched off by the McClellan Committee hearings, and has zigzagged upward since that time. In the current survey, 73 per cent of those questioned believe that unions have grown large enough or too large, as compared with 16 per cent who would like to see them grow larger. The same percentage of answers favored close government regulation of unions, while only 12 per cent spoke for little or no regulation.

There is a growing public belief that some unions are monopolies and should be controlled. Of those surveyed, 59 per cent regarded some unions as monopolistic—even 57 per cent of union members agreed—and only eight per cent of the general public saw no monopoly. Seventy per cent urged laws, similar to the business antitrust laws, to control union monopolies in com-

parison to only six per cent against such regulation.

Asked a general question about federal controls, four times as many people said that government should tighten controls over unions as believed that controls should be eased. Opinion was evenly divided on whether big business should be more tightly controlled.

Comments from people interviewed illustrate the reasoning behind the growing support for legal checks on union monopolies. In general, those favoring more regulation felt that unions are, or soon could be, out of control; some unions are dominated by one man; union pressures can disrupt the economy through nationwide strikes; and unions shut off access to jobs.

### Fewer seek federal help

Questioned about a number of national problems where legislation has been sought from Congress, voters showed a declining belief that the federal government is the best source of action. They have displayed a rising preference during the past year for handling of these problems by the private sector—individuals, voluntary groups and agencies, and business corporations.

The number of voters assigning primary responsibility to the private sector has increased by margins ranging from two to seven per cent for these problems: help for depressed industries, stable incomes for farmers, incomes for the retired, and low income housing. While those questioned still give federal solutions a clear edge on three of these issues, the private sector now has a slight lead in providing low income housing.

In seeking action on their problems, researchers found, people turn to the leadership which they feel is most interested in the problem and best able to handle it. A strong majority—between 75 and 80 per cent—see the federal government as best equipped to deal with such broad areas as space, keeping the United States economy ahead of Russia and avoiding recessions. The vital role of business in keeping our economy ahead of the USSR and avoiding recessions is largely overlooked, with only seven per cent assigning prime responsibility here to the business community.

Providing more and better schools and higher teachers' salaries are responsibilities given to state and local government by 69 per cent of those interviewed. Less than 20 per cent feel that the federal govern-

(continued on page 120)





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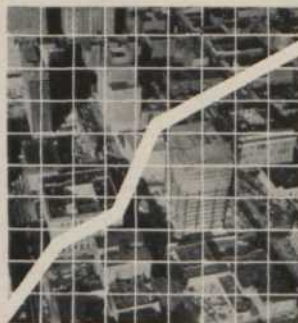
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## SURVEY

*continued*

ment is best qualified in this field. People look to business to provide low cost electricity and gas and to both business and local government to provide public transportation. Although federal agencies were named by 43 per cent to help depressed industries, 28 per cent picked business. In these areas the balance was found to be shifting more toward business.

Extensive publicity given to the unemployment problem has not increased the demand for federal action, even though a majority of voters still seem to rely on the government to guarantee jobs. Persons assigning responsibility to the government have remained at 55 per cent for the past two years. Researchers noted a relatively low awareness of the role played by private enterprise in generating employment.

When people see a problem as urgent, interviewers discovered, many look automatically to the federal government for help. In seeking federal aid on these issues—help for depressed industries, medical care for the aged, stable incomes for farmers, incomes for widows and the handicapped, low income housing, and providing jobs for everyone—there is a significant gap between the number of voters who see a great and urgent need for action and those who regard the problem as only mildly important.

### Discontent over federal spending

When asked how the country's economic growth should be stimulated, a striking majority urged a change in the tax structure rather than boosting government spending. This sentiment cut across party lines. Of Republicans interviewed, 70 per cent favored a tax change and only 11 per cent more federal spending. Independents voted 69 to 10 per cent for a tax change, and Democrats chose tax revision by 60 to 15 per cent. Only 44 per cent of all those questioned, however, favored a tax cut if it would raise the national debt.

Fifty-eight per cent of the Republicans felt that the Kennedy Administration is doing a poor job of holding down unnecessary government expenditures, 28 per cent termed the job fairly good, and three per cent very good. Independents showed a similar assessment: poor, 54 per cent; fairly good, 29 per cent; very good, six per cent.



Democrats voted as follows: poor, 27 per cent; fairly good, 42 per cent; very good, 13 per cent.

Researchers believe that independent voters today are displaying a more conservative frame of mind. Past Opinion Research Corporation studies found the independents occupying a niche midway between the Democrats and Republicans. The current survey indicates, however, that they have moved closer to the Republican position on such other issues as believing that competition can be depended upon to keep prices fair, opposing federal limits on profits, and wanting less government lending to business. Their position was more conservative than the Republicans in opposing close government regulation of business, urging laws to control union monopolies, and opposing federal guarantee of jobs.

#### Less concern over welfare

Voter concern over a number of welfare problems appears to be diminishing. Although the feeling remains high that there is a pressing need for action on unemployment and related problems, interviewers found less sense of urgency than a year ago. From three to nine per cent fewer people said that action is urgently required on providing jobs for everyone, food and income for the unemployed, medical care for the aged, income for the retired, and low income housing. Researchers cite this lowered sense of urgency behind many welfare programs as an important factor contributing to the public shift toward the free enterprise position.

Interviewers found that, unless directly involved, people tend to think that unemployment is not as serious as government, business, and labor leaders say. Some of the arguments which people offered to support this view are that unemployment figures are overstated because many of the jobless, especially women, aren't really interested in working; many people receiving benefits don't look hard enough for jobs; and a large share of the unemployed is made up of a hard core of low skilled, unemployable workers.

In questioning the urgency of the need for retraining low skilled workers displaced by automation, however, researchers discovered that the assessment of this problem's importance has risen from 46 to 48 per cent in the past year. Business was assigned the major responsibility for handling this situation by 23 per cent of those asked, while 37 per cent chose state and local gov-



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## SURVEY

continued

ernment, and 19 per cent favored federal action.

Although Americans show a high degree of concern over the economic challenge presented by Russia, they apparently do not consider a race to the moon an essential part of competition in the cold war. In a list of 26 problems rated according to urgency and importance, keeping the U. S. economy ahead of the Soviets ranked second with 62 per cent, a drop of six per cent from last year.

The need for landing an American astronaut on the moon, however, received a lower urgency rating than anything except financial support for artists and art activities. The moon shot was considered vital by 18 per cent, four per cent less than in 1962. Researchers suggested two factors underlying this apparent public apathy: some people see the moon shot as being undertaken principally for purposes of prestige and, second, it is so remote from the typical person's comprehension that its benefits are hard to visualize.

Reducing juvenile delinquency was rated at the top of the urgency list with a vote of 70 per cent. Most people assigned responsibility for correcting this problem to state and local governments and voluntary organizations.

On the basis of this and previous studies, researchers believe that the outcome of the contest between free enterprise and big government hinges largely on problem-solving. Faced with a tough issue, they say, Americans are not much given to ideological debate but take a pragmatic, action-minded approach.

An initial advantage lies with those who urge federal action to solve these problems: They can propose concrete, large scale programs which have immediate visibility to the public. Nongovernmental solutions suffer from lack of visibility, however. Business leaders go about their work quietly and, consequently, many an average citizen feels that they are not concerned about social and economic problems.

What can an individual company do? The researchers say it can increase the visibility of business leadership by selecting from the problems which people rate important one which touches the company's interests, and then focusing a concentrated effort on it to show the effectiveness of private solutions.

END



**DO YOU HAVE  
THIS MAN'S  
BUSINESS  
PROBLEM?**



*"Seems like the more distributors we get  
the tougher it is to keep them all happy"*

**Solution: Use Long Distance to build  
strong, personal ties with them!**

For example: H. Wilson Corp., Chicago manufacturer of audio visual equipment, uses Long Distance regularly to keep in touch with its distributors.

Says management: "We have 300 distributors nationally—and we talk with them often by phone.

In turn, they understand they are to call us 'Collect' whenever they have a question. This way, we nip problems in the bud before they get serious.

"No doubt about it—Long Distance is one of the best sales and administrative tools we have!"

Are you using Long Distance this personal and productive way in *your* business?



**BELL TELEPHONE SYSTEM**

Talk things over, get things done... by Long Distance!



# You pay the freight

Like business, government has necessary expenses.

The federal official must have a secretary, and she must be paid. A typical salary is \$4,565 a year.

Could be a bargain, for the right girl.

It's far harder, however, to defend many other federal expenses—for instance, a \$5,696 salary for the government chauffeur who drives some official's limousine. Nobody even keeps track of how many chauffeurs federal agencies employ.

Internal Revenue says the average taxpayer's income tax payment is \$821.13 a year.

That means it takes five and a half taxpayers to support one government secretary—and the taxes of seven taxpayers to hire one chauffeur.

Somebody is being taken for a ride.

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Nation's Business • November 1963





## ONE MAN



## ONE FORD



## YEAR 'ROUND

You need only one man and a Ford tractor with easy-on, easy-off attachments to handle maintenance around your buildings and grounds . . . mow in summer . . . mulch leaves in the fall . . . clear snow in winter . . . landscape in the spring—tow, dig, lift, load to save manpower the year around. That's why Fords are first choice among business and municipal organizations for cost-cutting grounds maintenance. See your Ford tractor dealer. He's the most experienced source of help in your area. For helpful literature, write Industrial Sales Department, Ford Motor Company, Birmingham, Mich.

PRODUCTS OF  MOTOR COMPANY

# FORD





Each carton of new Kentile® Textured Flagstone Solid Vinyl Tile contains the wide variety of tile sizes and colors shown above.

**New tile, new texture—new Kentile Textured Flagstone Solid Vinyl.** Use this long-wearing, easy-cleaning greaseproof vinyl to bring the outdoors beautifully indoors. Installed cost? Far less than for natural flagstone. Your nearby Kentile Dealer? He's listed in the Yellow Pages under "Floors."\*

\*Or consult your architect, builder, or interior designer.

**KENTILE VINYL FLOORS**